IFRS Accounting

Staff paper

Agenda reference: 31A

IASB® meeting

Date	**April 2023**
Project	**Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**
Topic	**Feedback on proposed disclosure requirements**
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Purpose of the paper

1. The purposed of this paper is for the International Accounting Standards Board (IASB) to discuss the feedback and decide whether to revise some of the proposed disclosure requirements in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Exposure Draft).

2. The staff recommendations are set out in paragraph 33 of this paper.

3. In this paper, the term 'eligible subsidiary' refers to an entity that meets the requirements in paragraph 6 of the draft Standard set out in the Exposure Draft.

Structure of the paper

4. This paper is structured as follows:

   (a) background (paragraphs 6–14);

   (b) feedback on proposed disclosure requirements (paragraphs 15–28);

      (i) disclosure objectives (paragraphs 15–19);

      (ii) guidance on applying the proposed disclosure requirements (paragraphs 20–23); and

      (iii) relief from providing comparative information (paragraphs 24–28);

   (c) feedback on individual proposed disclosure requirements (paragraphs 29–32);

   (d) staff recommendations and questions for the IASB (paragraph 33); and

   (e) Appendix A—Analysis of the feedback on individual proposed disclosure requirements.

5. Feedback was received on many of the individual proposed disclosure requirements in the draft Standard. To aid the readability of this paper this feedback is analysed in Appendix A to this paper (see paragraphs 29–32).

Background

Invitation to Comment

6. Question 8 of the Invitation to Comment on the Exposure Draft is reproduced below:

   Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. In addition to your answers to Questions 4 to 7:

   (a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why?

(b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why?

(c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

Approach to developing the proposed disclosure requirements[1]

7. In developing the proposed disclosure requirements in the draft Standard (the IASB's approach), the IASB started with the disclosure requirements in the *IFRS for SMEs* Accounting Standard. If the recognition and measurement requirements in IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard are:

   (a) the same—the IASB proposed the disclosure requirements from the *IFRS for SMEs* Accounting Standard in the draft Standard. These disclosure requirements are based on IFRS Accounting Standards and therefore the work on reducing those disclosure requirements did not need to be repeated.

   (b) different—the IASB proposed disclosure requirements based on IFRS Accounting Standards. It reduced these disclosure requirements by applying the same principles it used when it developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard (principles for reducing disclosure requirements)[2].

[1] See Agenda Paper 31B *Approach to developing the proposed disclosure requirements* of the October 2022 IASB meeting.

[2] Set out in paragraph BC157 of the Basis for Conclusions on the *IFRS for SMEs* Accounting Standard.

8. The principles for reducing disclosure requirements applied by the IASB consider the information needs of users of non-publicly accountable entities and that these users find the following information useful:

   (a) short-term cash flows, obligations, commitments and contingencies;

   (b) liquidity and solvency;

   (c) measurement uncertainty;

   (d) accounting policy choices; and

   (e) disaggregation of amounts.

9. In developing the proposed disclosure requirements in the draft Standard, the IASB made exceptions to its agreed approach (see paragraphs BC40–BC52 of the Basis for Conclusions on the Exposure Draft). Some exceptions made by the IASB were related to improved disclosure requirements in IFRS Accounting Standard that the *IFRS for SMEs* Accounting Standard had not been updated for (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft).

10. In considering the feedback on the draft Standard the IASB has tentatively decided to use the language from IFRS Accounting Standards, rather than the language from the *IFRS for SMEs* Accounting Standard as it did in the draft Standard.[3]

Analysing the feedback on the proposed disclosure requirements[4]

11. In October 2022, the IASB decided on an approach to analysing the feedback on the proposed disclosure requirements in the draft Standard. The IASB agreed to categorise the feedback into four groups based on how the proposed disclosure requirements were developed:

[3] See IASB *Update* of the October 2022 IASB meeting.

[4] See Agenda Paper 31C *Addressing comments on proposed disclosure requirements* and IASB *Update* of the October 2022 IASB meeting.

Table 1: Categories of feedback on the proposed disclosure requirements

Group	Characteristic
1	Proposed disclosure requirement is from the *IFRS for SMEs* Accounting Standard because recognition and measurement requirements are the same in the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards.
2	Proposed disclosure requirement is reduced from IFRS Accounting Standards because there *is* a recognition and measurement difference between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard.
3	Proposed disclosure requirement is an exception to the IASB's approach to developing the proposed disclosure requirements as set out in paragraphs BC40–BC52 of the Basis for Conclusions on the Exposure Draft.
4	Comments relate to proposed disclosure requirements not categorised in any of the groups above.

12. The IASB also agreed to assess the feedback on the proposed disclosure requirements taking into consideration the following factors:

Table 2: Factors for assessing feedback on proposed disclosure requirements

Factor	Characteristic
Users' information needs	Whether the comment provides further information on applying the principles for reducing disclosure requirements (see paragraph 8 of this paper).
Cost–benefit considerations	Whether the comment would lead to a better balance between the costs and benefits of applying the requirements.
Distribution of the comment	Whether the comment is specific to a particular jurisdiction or a particular stakeholder group.
Overall usefulness of information	Whether the overall disclosure requirements for a topic or a Standard provides useful information to users of eligible subsidiaries' financial statements.
IASB decision(s)	Whether the proposed disclosure requirement has been specifically discussed by the IASB and the feedback provides further insights.

13. In analysing the feedback applying the factors in paragraph 12 of this paper, the staff applied a ‘high hurdle’ on comments asking to delete proposed disclosure requirements categorised in Group 1 or suggesting additional disclosures when there is no recognition and measurement difference.

14. Deleting a proposed disclosure requirement from proposed disclosure requirements categorised in Group 1, would be an exception to the IASB’s approach (see paragraph 7 of this paper). It should also be noted that the IASB has already decided the disclosure requirements in the *IFRS for SMEs* Accounting Standard are appropriate for users of non-publicly accountable entities and those disclosure requirements have been subject to the comprehensive reviews of that Standard.[5]

Feedback on proposed disclosure requirements

Disclosure objectives

15. In developing the proposed disclosure requirements, the IASB excluded disclosure objectives included in IFRS Accounting Standards because including them might result in eligible subsidiaries being compelled to provide the same disclosures as if they had not applied the draft Standard (see paragraph BC41 of the Basis for Conclusions on the Exposure Draft).

16. Most of those respondents who commented on disclosure objectives agreed with excluding the disclosure objectives from the draft Standard for the reasons set out in the Basis for Conclusions on the Exposure Draft. However, some respondents disagreed; they said that disclosure objectives are helpful in achieving ‘fair presentation’ as required by IAS 1 *Presentation of Financial Statements*, and not having them could compromise the reliability and completeness of the information required to enable the users of the financial statements to make informed decisions.

[5] The IASB completed its initial comprehensive review of the *IFRS for SMEs* Accounting Standard in May 2015 and is currently undertaking the second comprehensive review.

17. Whilst acknowledging the views of respondents that support retaining the disclosure objectives, an eligible subsidiary applying the draft Standard is not prohibited from providing disclosures required by IFRS Accounting Standards to comply with the fair presentation requirements in IAS 1. The IASB's view was that including the disclosure objectives may compel an eligible subsidiary to provide the same disclosures as if they had not applied the draft Standard, which would be contrary to the project objective.

18. The staff recommends the IASB does not revise the draft Standard to include disclosure objectives.

19. Finally, some respondents commented on proposed disclosure requirements that are disclosure objectives. The feedback on these disclosure objectives is discussed in the analysis on the feedback on individual proposed disclosure requirements, see discussion on IFRS 7 *Financial Instruments: Disclosures* (Appendix A, paragraphs A4.10–A4.11 of this paper) and IAS 12 *Income Taxes* (Appendix A, Table A10.1 of this paper).

Guidance on applying the proposed disclosure requirements

20. Some respondents asked for the guidance on how to apply a disclosure requirement to be included in the new Standard.

21. Guidance on how to apply a disclosure requirement in IFRS Accounting Standards is typically located either together with the relevant disclosure requirement (for example, see paragraph 93(a) of IFRS 13 *Fair Value Measurement*) or immediately after the disclosure requirement (for example, see paragraphs 37–39 of IAS 2 *Inventories*).

22. In developing the proposed disclosure requirements, the IASB did not include guidance on how to apply the proposed disclosure requirements because:

    (a) the IASB proposed disclosure requirements only in the draft Standard. In applying the new Standard, an eligible subsidiary is applying IFRS Accounting

Standards and therefore would refer to the applicable IFRS Accounting Standard for guidance on how to apply the disclosure requirement. Adding guidance on proposed disclosure requirements would lengthen the new Standard and duplicate guidance already available in IFRS Accounting Standards.

(b) recognition, measurement and presentation requirements in other IFRS Accounting Standards remain applicable and will not be changed by the new Standard.

23. The staff recommends the IASB does not revise the draft Standard to include guidance on how to apply the disclosure requirements, see discussion on IFRS 6 *Exploration for and Evaluation of Mineral Resources* (Appendix A, Table A3 of this paper), IFRS 13 (Appendix A, Table A5 of this paper) and IAS 2 *Inventories,* (paragraph A7.3 of this paper of this paper).

Relief from providing comparative information

24. The *IFRS for SMEs* Accounting Standard does not require comparative information to be presented for some disclosures, specifically on the reconciliation of the movements of certain assets and liabilities (for example, comparative information need not be provided for investment property, property, plant and equipment, intangible assets and provisions, see paragraphs 16.10(e), 17.31(e), 18.27(e) and 21.14 of the *IFRS for SMEs* Accounting Standard, respectively).

25. The relief was provided to avoid lengthy note disclosures that would repeat a prior year disclosure and would be available from prior year financial statements. Such relief was deemed appropriate for users of non-publicly accountable entities.[6]

26. In developing the proposed disclosure requirements, the relief was also proposed in the draft Standard for IAS 16 *Property. Plant and* Equipment, IAS 37 *Provisions,*

[6] See page 83 of *Agenda Paper 4 Addendum 2: Summary of Board redeliberations of the disclosure principles proposed in the Exposure Draft* of the March 2009 meeting.

Contingent Liabilities and Contingent Assets, IAS 38 *Intangible Assets* and IAS 40 *Investment Property* (see paragraphs 148(e), 196, 201(e), 207(b) and 209(d) of the draft Standard, respectively). Some respondents suggested that the comparative information for these reconciliations should be required.

27. Removing the relief from providing comparative information would be an exception to the IASB's approach to developing the disclosures requirements. The staff cannot identify a reason why eligible subsidiaries (that are a subset of 'non-publicly accountable entities') should not be provided with the same relief.

28. The staff recommends the IASB retain the relief from providing comparative information proposed in the draft Standard, see discussion on IAS 38 *Intangible Assets* (Appendix A, paragraphs A18.1–A18.6 of this paper) and IAS 40 *Investment Properties* (Appendix A, paragraphs A19.1–A19.2 of this paper.

Feedback on individual proposed disclosure requirements

29. Many respondents commented on individual proposed disclosure requirements in the draft Standard. Comments received included, deleting, adding, and clarifying the proposed disclosure requirements in the draft Standard. This feedback is analysed in Appendix A to this paper.

30. In some instances, only one respondent commented on a proposed disclosure requirement. The staff did not consider just because only one respondent commented on a proposed disclosure requirement this was justification to exclude the comment from the analysis.

31. For each IFRS Accounting Standard, the analysis is generally structured as follows:

    (a) categorisation of the proposed disclosure requirements (see paragraph 11);

    (b) development of the proposed disclosure requirement(s);

    (c) summary of feedback;

    (d) staff analysis; and

    (e) staff recommendation(s).

32. The analysis in Appendix A of this paper only includes those proposed disclosure requirements respondents commented on. That is, if there is no comment on a proposed disclosure requirement, that disclosure is not included in Appendix A.

Staff recommendations and questions for the IASB

Staff recommendations

33. The staff recommends that the IASB:

    (a) does not revise the draft Standard to include:

        (i) disclosure objectives (paragraph 18);and

        (ii) guidance on how to apply the disclosure requirements in the new Standard (paragraph 23);

    (b) retain the relief from providing comparative information proposed in the draft Standard (paragraph 28); and

    (c) retain the proposed disclosure requirements in the draft Standard for IFRS Accounting Standards analysed in Appendix A of this paper, subject to recommendations in Table 3—Summary of revisions to the individual proposed disclosure requirements.

Table 3—Summary of revisions to the individual proposed disclosure requirements

IFRS Accounting Standard	Add/delete	Rationale	Appendix A reference
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Delete paragraph 25(a) of the draft Standard	Proposed disclosure is more onerous than IFRS 1	A1.5–A1.10
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*	Add paragraph 33(c) of IFRS 5	Provides information about short-term cash flows	A2.8–A2.14
	Add paragraph 41(d) of IFRS 5	Consistent with the IASB's approach on IFRS 8 *Operating Segments*	A2.20–A2.22
IFRS 7 *Financial Instruments: Disclosures*	Delete paragraph 44 of the draft Standard	Disclosure objective	A4.2–A4.11
	Delete paragraphs 47–48 of the draft Standard	Reclassifications are expected to be 'very infrequent'	A4.21–A4.26
	Delete paragraph 55 of the draft Standard	Other proposed disclosure requirements provide similar information	A4.36–A4.39
	Delete paragraph 60 of the draft Standard	Other proposed disclosure requirements provide similar information	A4.40–A4.44
	Delete paragraphs 62, 66 and 67 of the draft Standard	Other proposed disclosure requirements provide similar information	A4.45–A4.50
	Add paragraph 39 of IFRS 7	Provides information about liquidity and solvency	A4.51–A4.54
IFRS 13 *Fair Value Measurement*	Delete paragraph 81 of the draft Standard	Guidance on applying proposed disclosure requirements	Table A5
IAS 12 *Income Taxes*	Delete paragraph 145 of the draft Standard	Disclosure objective	Table A10.1
IAS 24 *Related Party Disclosures*	Add paragraph 26 of IAS 24	Consistent with the requirements in IAS 24 when an exemption is applied for government-related entities	A13.9–A13.13

IFRS Accounting Standard	Add/delete	Rationale	Appendix A reference
IAS 32 *Financial Instruments: Presentation*	Move paragraphs 182–183 of the draft Standard from IAS 32 to IFRS 7	Relocate to IFRS 7 disclosures	A14.1–A14.5
IAS 34 *Interim Financial Reporting*	Delete paragraph 185(k) of IAS 34	Corresponding disclosure remove from IFRS 13	A15.1–A15.4
IAS 36 *Impairment of Assets*	Add paragraphs 134(d)(iv)–(v) and 134(e) (iv)–(v) of IAS 36	Provides information about measurement uncertainty	A16.5–A16.11
	Add paragraph 130(d)(i) and (iii) of IAS 36	Provides information about short-term cash flows and liquidity	A16.12–A18
IAS 40 *Investment Property*	Add paragraph 79(e) of IAS 40	Provides information about solvency	A19.3–A19.10

Questions for the IASB

Questions for the IASB
1. Does the IASB have any comments on the analysis in this paper? 2. Does the IASB agree with the staff recommendations in paragraph 33?

Appendix A—Analysis of feedback on the proposed disclosure requirements

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Table A1: IFRS 1—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
23	1	The proposed disclosure requirement is based on paragraph 35.12 of the *IFRS for SMEs* Accounting Standard and paragraph 23 of IFRS 1. One comment received. See paragraphs A1.1–A1.4.
25(a)–(c)	1	The proposed disclosure requirement is based on paragraph 35.13 of the *IFRS for SMEs* Accounting Standard and paragraph 24(a)–(b) of IFRS 1. Seven comments received. See paragraphs A1.5–A1.10.

Paragraph 23 of the draft Standard

Development of the proposed disclosure requirement

A1.1. Paragraph 23 of the draft Standard proposes an eligible subsidiary discloses how the transition to IFRS Accounting Standards affects its financial position, financial performance and cash flows.

Summary of feedback

A1.2. One respondent suggested amending of the wording of paragraph 23 of the draft Standard. The respondent said that paragraph 23 could be read as a disclosure objective because it does not set out specific disclosure requirements and paragraph 25 of the draft Standard says “to comply with paragraph 23…”.

Staff analysis

A1.3. The staff disagree that paragraph 23 of the draft Standard is a disclosure objective. The staff note that:

(a) paragraph 23 of the draft Standard proposes an entity explains how the transition to IFRS Accounting Standards affected its cash flows (in addition to its financial position and financial performance). Paragraph 25 of the draft Standard does not propose disclosure requirements in relation to cash flows.

(b) paragraph 25 of the draft Standard set out ways how an entity could comply with paragraph 23 of the draft Standard. However, the staff think that paragraph 25 should not be read as the *only* way to comply with paragraph 23.

Staff recommendation

A1.4. The staff recommends the IASB retain, without revision, paragraph 23 of the draft Standard.

Paragraph 25 of the draft Standard

Development of the proposed disclosure requirement

A1.5. Paragraph 25 of the draft Standard proposes disclosure of:

(a) a description of the nature of each change in accounting policy;

(b) reconciliation of the entity's equity from previous GAAP to IFRS Accounting Standards; and

(c) reconciliation of the entity's total comprehensive income from previous GAAP to IFRS Accounting Standards.

A1.6. Paragraph 25(a) of the draft Standard is based on paragraph 35.13(a) of the *IFRS for SMEs* Accounting Standard but it is not included in IFRS 1.

Summary of feedback

A1.7. Respondents who commented on paragraph 25 of the draft Standard suggested:

(a) deleting paragraph 25(a) of the draft Standard (six respondents) because the proposed disclosure is not required by IFRS 1.

(b) add from paragraph 25 of IFRS 1 (two respondents) if an entity presents a statement of cash flows under its previous GAAP, it explains material adjustments to the statement of cash flows.

Staff analysis

A1.8. The staff agree that paragraph 25(a) of the draft Standard, which proposes disclosure of the nature of *each* change in accounting policy, is not required by IFRS 1 and could be more onerous than applying IFRS 1.

A1.9. The staff think it is not necessary to separately require an eligible subsidiary to explain material adjustments to its statement of cash flows as required by paragraph 25 of IFRS 1 because paragraph 23 of the draft Standard proposes an eligible subsidiary explains how the transition from its previous GAAP to IFRS Accounting Standards affects its reported financial position, financial performance and cash flows.

Staff recommendations

A1.10. The staff recommends the IASB:

(a) delete paragraph 25(a) of the draft Standard; and

(b) not add that part of paragraph 25 of IFRS 1 on disclosure of material adjustments to cash flows to the new Standard.

Other comments

Summary of feedback

A1.11. Three respondents suggested adding paragraph 24(c) of IFRS 1 to the draft Standard. Paragraph 24(c) of IFRS 1 requires disclosure on impairment losses (and reversals) recognised in an entity preparing its opening IFRS statement of financial position. In the respondents' view, this disclosure is important—it provides transparency about impairment losses recognised on transition to IFRS Accounting Standards.

A1.12. One respondent suggested not requiring an eligible subsidiary to present an opening IFRS statement of financial position at the date of transition to IFRS, as required by paragraph 6 of IFRS 1.

Staff analysis

A1.13. Paragraph BC94 of the Basis for Conclusions on IFRS 1[7] explains the rationale for paragraph 24(c), that there is inevitably subjectivity about impairment losses. While accepting the respondents view, the staff note that should the IASB require the disclosure in paragraph 24(c) of IFRS 1 it would be an exception to its approach for developing disclosure requirements. Furthermore, the staff noted that this disclosure is not an improved disclosure requirement (see paragraph 9 of this paper).

A1.14. In relation to the suggestion not to require an eligible subsidiary to present an opening IFRS statement of financial position, a statement of financial position is a presentation requirement and is outside the scope of the project. Presentation requirements in IFRS Accounting Standards remain applicable for eligible subsidiaries applying the new Standard (see paragraph 22(b) of this paper).

Staff recommendation

A1.15. The staff recommends the IASB not add paragraph 24(c) of IFRS 1 to the new Standard.

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[7] For impairment losses (and reversals) recognised in preparing the opening IFRS balance sheet, paragraph 24(c) of the IFRS requires the disclosures that IAS 36 would require if those impairment losses (and reversals) were recognised during the period beginning with the date of transition to IFRSs. The rationale for this requirement is that there is inevitably subjectivity about impairment losses. This disclosure provides transparency about impairment losses recognised on transition to IFRSs. These losses might otherwise receive less attention than impairment losses recognised in earlier or later periods.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Table A2.1: IFRS 5—categorisation of the proposed disclosure requirement

Paragraph of draft Standard	Group	Remarks
40	2	The proposed disclosure requirement is based on paragraph 42 of IFRS 5. Two comments received. See paragraphs A2.1–A2.7.

Paragraph 40 of the draft Standard

Development of the proposed disclosure requirements

A2.1. IFRS 5 specifies the accounting for assets (or disposal groups) held for sale and the presentation and disclosure of discontinued operations. There is no equivalent Section in the *IFRS for SMEs* Accounting Standard, although the definition of a discontinued operation is the same in both standards.

A2.2. Paragraph 40 of the draft Standard proposes disclosure if either paragraph 26 or paragraph 29 of IFRS 5 apply, including a description of the facts and circumstances leading to the decision to change the plan to sell a non-current asset (or disposal group) and the effect of the decision on the results of operations for the period and any prior period presented.

A2.3. The additional disclosure requirement was proposed in the draft Standard because the *IFRS for SMEs* Accounting Standard does not have the same presentation requirements as IFRS 5.

Summary of feedback

A2.4. Two respondents suggested deleting paragraph 40 of the draft Standard. The respondents are of the view that the proposed disclosure requirement does not provide useful information for users of eligible subsidiaries' financial statements.

Staff analysis

A2.5. In proposing paragraph 40 of the draft Standard it was considered that the disclosure would provide users of eligible subsidiaries' financial statements with information about short-term cash flows and solvency, see paragraph 8 of this paper. The disclosure would also provide information about the change in measurement basis (that is the effect of reclassifying items measured at fair value less cost to sell).

A2.6. The feedback offers no evidence a that paragraph 40 of the draft Standard does not provide useful information to users of eligible subsidiaries' financial statements.

Staff recommendation

A2.7. The staff recommends the IASB retain paragraph 40 of the draft Standard.

IFRS 5—suggested additional disclosures

Table A2.2: IFRS 5—suggested additional disclosures

Disclosure paragraph	Disclosure	Respondents' comments
33(c)	Net cash flows attributable to the operating, investing, and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the statement of comprehensive income.	One comment received. The respondent said that these disclosure requirements would be relevant to users of eligible subsidiaries' financial statements. For comment on paragraph 33(c) of IFRS 5, see paragraphs A2.8–A2.14. For comment on paragraph 33(d) of IFRS 5, see paragraphs A2.15–A2.19.
33(d)	The amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income.	
41(c)	Impairment losses (or reversals) for any initial or subsequent write-down of asset (or disposal group) to fair value less costs to sell.	One comment received. The respondent said that requiring an entity to provide information in paragraph 39 of the draft Standard without disclosing the effect of the classification as required by paragraph 41(c) of IFRS 5 would be of limited usefulness. See paragraphs A2.15–A2.19.
41(d)	If applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 *Operating Segments*	One comment received. The respondent suggested said this disclosure would be material to users of eligible subsidiaries' financial statements and not is costly to prepare. See paragraphs A2.20–A2.22.

Paragraph 33(c) of IFRS 5

Staff analysis

A2.8. In developing the proposed disclosure requirements in the draft Standard it was assessed that the requirements in paragraph 33(c) of IFRS 5 did not relate to a recognition or measurement difference and therefore the disclosure was not proposed in the draft Standard.

A2.9. Applying paragraph 38 of IFRS 5, a non-current asset held for sale and assets in a disposal group are presented separately from other assets in the statement of financial position. Similarly, liabilities in a disposal group are presented separately from other liabilities. In addition, any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) is presented separately.

A2.10. Paragraph 5.5(e) of the *IFRS for SMEs* Accounting Standard requires:

(a) presentation of post-tax profit or loss of discontinued operation (subparagraph 5.5(e)(i)); and

(b) presentation of the post-tax gain on loss attributable to impairment (or reversal) of the assets in the discontinued operation (subparagraph 5.5(e)(ii)).

A2.11. The *IFRS for SMEs* Accounting Standard does not have separate presentation requirements for cash flows. Consequently, applying the IASB's approach the additional disclosure could be added to the new Standard.

A2.12. Paragraph 33(c) of IFRS 5 requires disclosures of net cash flows from discontinued operations either in the notes or in the financial statements: this provides information about short-term cash flows and disaggregation (see paragraph 8 of this paper).

A2.13. Adding paragraph 33(c) of IFRS 5 to the draft Standard is consistent with the IASB's agreed approach and the principles for reducing disclosure requirements.

Staff recommendation

A2.14. The staff recommends the IASB add paragraph 33(c) of IFRS 5 to the new Standard.

Paragraph 33(d) and paragraph 41(c) of IFRS 5

Staff analysis—paragraph 33(d)

A2.15. In developing the proposed disclosure requirements it was assessed that although the definition of a discontinued operation is the same in both standards, there is a recognition and measurement difference in that applying paragraph 25 of IFRS 5 a non-current asset is not depreciated (or amortised) while it is held for sale and is measured at the lower of carrying amount and fair value less costs to sell (paragraph 15 of IFRS 5). Whereas applying the *IFRS for SMEs* Accounting Standard an intention to sell triggers an impairment assessment (paragraph 27.9(f) of the *IFRS for SMEs* Accounting Standard) and impairment is recognised if carrying amount is lower than recoverable amount (which is the higher of fair value less costs to sell and value in use).

A2.16. The disclosure required by paragraph 33(d) of IFRS 5 (amount of income from continuing operations and from discontinued operations attributable to owners of the parent) is not related to the amount of impairment or depreciation and consequently not a result of the recognition or measurement difference. It was not therefore proposed in the draft Standard.

Staff analysis—paragraph 41(c)

A2.17. The disclosure required by paragraph 41(c) of IFRS 5 relates to impairment losses (or reversals). As explained in paragraph A2.15 of this paper, there is a difference in recognition and measurement of non-current assets held for sale and discontinued operations between IFRS 5 and the *IFRS for SMEs* Accounting Standard, however impairment losses occur in both Standards. Consequently, paragraph 41(c) of IFRS 5 was not proposed in the draft Standard.

A2.18. Adding either paragraph 33(d) or paragraph 41(c) would be an exception to the IASB's approach. The staff has not identified which of the principles for reducing disclosure requirements the information provided by either of these paragraphs would relate to and therefore is not recommending adding the disclosures.

Staff recommendation

A2.19. The staff recommends the IASB not add paragraphs 33(d) and 41(c) of IFRS 5 to the new Standard.

Paragraph 41(d) of IFRS 5

Staff analysis

A2.20. The IASB noted that an eligible subsidiary would not be required to apply IFRS 8, but if the subsidiary opted to provide information about operating segments, then the subsidiary should be required to apply IFRS 8 in full.[8] Therefore, the staff think that adding paragraph 41(d) of IFRS 5 *Operating Segments* in the new Standard would be consistent with the IASB's approach on IFRS 8.[9]

A2.21. The staff agree with the respondent that disclosing the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 would not be costly to prepare.

Staff recommendation

A2.22. The staff recommends the IASB add paragraph 41(d) of IFRS 5 to the new Standard.

[8] Paragraph 213 of the draft Standard proposes if an entity elects to disclose information about segments the disclosure requirements in IFRS 8 *Operating Segments*, remain applicable.

[9] See Agenda Paper 31A *IFRS Accounting Standards without reduced disclosure requirements* and IASB *Update* of the December 2022 IASB meeting.

IFRS 6 *Exploration for and Evaluation of Mineral Resources*

Table A3: IFRS 6—suggested additional disclosures

<table>
<tr><th>Disclosure paragraph</th><th>Disclosure</th><th>Respondents' comments</th><th>Staff analysis</th></tr>
<tr><td>18</td><td>Recognising and measuring impairment</td><td>Eligible subsidiaries should provide appropriate impairment disclosures.</td><td>Paragraph 18 of IFRS 6 is a 'guidance' paragraph and is not a disclosure requirement and remains applicable. As discussed in paragraphs 20–23 of this paper, the staff recommends the IASB not add guidance on how to apply the disclosure requirements that is available in IFRS Accounting Standards.</td></tr>
<tr><td>23</td><td>Disclosure objective</td><td rowspan="2">Eligible subsidiaries that have exploration and evaluation assets that are material in value will be required to provide these disclosures applying the new Standard.</td><td>As discussed in paragraphs 15–19 of this paper, disclosure objectives are not included in the new Standard.</td></tr>
<tr><td>24(b)</td><td>Amounts of assets, liabilities, income and expense and operating and investing cash flows arising from exploration and evaluation assets.</td><td>Paragraphs 55 and 85 of IAS 1 require an entity to present additional line items, headings and subtotals in the statement of financial position, statement of profit or loss and other comprehensive income when such presentation is relevant to an understanding of users' financial information. Therefore, when the information is relevant it will be presented. The staff recommends the IASB not add paragraph 24(b) of IFRS 6 to the new Standard.</td></tr>
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IFRS 7 *Financial Instruments: Disclosures*

A4.1. The analysis of feedback on disclosures for IFRS 7 is presented by topics as follows:

(a) Statement of financial position—categories of financial assets and financial liabilities (see paragraphs A4.2–A4.11)

(b) Financial liabilities at fair value through profit or loss (see paragraphs A4.12–A4.20)

(c) Reclassification (see paragraphs A4.21–A4.26)

(d) Compound financial instruments with multiple embedded derivatives (see paragraphs A4.27–A4.31)

(e) Items of income, expense, gains or losses (see paragraphs A4.32–A4.35)

(f) Hedge accounting (see paragraphs A4.36–A4.39)

(g) Uncertainty arising from interest rate benchmark reform and additional disclosure related to interest rate benchmark reform (see paragraphs A4.40–A4.44)

(h) The credit risk management practices, quantitative and qualitative information about amounts arising from expected credit losses, changes in the loss allowance and credit risk exposure (see paragraphs A4.45–A4.50)

(i) Additional disclosures (see paragraphs A4.51–A4.54)

(j) Other general comments (see paragraphs A4.55–A4.62).

Statement of financial position—categories of financial assets and financial liabilities

Table A4.1—categorisation of the proposed disclosure requirement

Paragraph of draft Standard	Group	Remarks
44	2	The proposed disclosure requirement is based on paragraph 11.42 of the *IFRS for SMEs* Accounting Standard and paragraph 7 of IFRS 7. Two comments received. See paragraphs A4.2–A4.11.

Development of the proposed disclosure requirements

A4.2. Paragraph 44 of the draft Standard proposes disclosures of information that enables users of eligible subsidiaries' financial statements to evaluate the significance of financial instruments for an entity's financial position and performance.

Summary of feedback

A4.3. One respondent said that paragraph 44 of the draft Standard is the same as the disclosure objective in paragraph 7 of IFRS 7, and questioned how the same disclosure objective can be met by different levels of disclosure.

A4.4. Another respondent said that the draft Standard promotes a checklist-based approach and if this disclosure objective is retained in the new Standard there should be an explanation of how the reduced disclosures still meet the information needs of the users of eligible subsidiaries' financial statements.

Staff analysis

A4.5. As noted in Table A4.1, the proposed disclosure requirement is based on paragraph 11.42 of the *IFRS for SMEs* Accounting Standard and paragraph 7 of IFRS 7. Although the proposed disclosure requirement is in both standards its location within the disclosure requirements is different and therefore the objective relates to different disclosure requirements.

A4.6. In the *IFRS for SMEs* Accounting Standard the disclosure is part of the disclosure requirements for the 'Statement of financial position—categories of financial assets and liabilities' (paragraphs 11.41–11.44 of the *IFRS for SMEs* Accounting Standard). In contrast, in IFRS 7 the disclosure is a disclosure objective and is part of the disclosure requirements for the 'Significance of financial instruments for financial position and performance' section which includes paragraphs 7–30 of IFRS 7. The subsection 'Statement of financial position—categories of financial assets and liabilities' is located within that section (see paragraph 8 of IFRS 7).

A4.7. Paragraph 42 of the draft Standard is consistent with the structure in the *IFRS for SMEs* Accounting Standard and the disclosure therefore relates to paragraph 11.41 to 11.44 of the *IFRS for SMEs* Accounting Standard.

A4.8. The new Standard will be an IFRS Accounting Standard therefore paragraph 44 of the draft Standard should be located as an objective to paragraphs 42 to 60 of the draft Standard. Relocating the paragraph is consistent with the IASB's tentative decision to update the language in the draft Standard to be the same as IFRS Accounting Standards.

A4.9. However, relocating paragraph 44 of the draft Standard highlights it is a disclosure objective and the concern raised by the respondent that the paragraph is an objective even though the IASB had decided to remove disclosure objectives from the Standard (see paragraphs 15–19 of this paper).

A4.10. The staff acknowledge this disclosure objective is included in the *IFRS for SMEs* Accounting Standard (albeit applying to a narrower set of disclosure requirements) and agreed with the respondents' view that its inclusion is inconsistent with the IASB's decision to not include disclosure objectives in the draft Standard (see paragraphs 15–19 of this paper). Consequently, the staff think it would be better to delete the disclosure objective.

Staff recommendation

A4.11. The staff recommends the IASB delete paragraph 44 of the draft Standard.

Financial liabilities at fair value through profit or loss

Table A4.2—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
45(a)–(b)	2	The proposed disclosure requirement is based on paragraph 10(a)–(b) of IFRS 7. One comment received. See paragraphs A4.12–A4.20.
46(a)–(b)	2	The proposed disclosure requirement is based on paragraph 10A of IFRS 7. One comment received. See paragraphs A4.12–A4.20.

Development of the proposed disclosure requirements

A4.12. Paragraphs 45–46 of the draft Standard proposes disclosure of the changes in the liability's credit risk if the entity has designated a financial liability as at fair value through profit or loss. There is a recognition and measurement difference as the *IFRS for SMEs* Accounting Standard does not permit for voluntary designation of a financial liability at fair value through profit or loss.

A4.13. Paragraphs 45–46 of the draft Standard were proposed because the disclosures provide information about credit risk which provides information about liquidity and solvency (sub-paragraph (a)) and provides information about short-term cash flows (sub-paragraph (b)).

Summary of feedback

A4.14. One respondent suggested deleting paragraphs 45–46 of the draft Standard. The respondent believes that the information provided by the proposed disclosure requirement in paragraph 43 of the draft Standard is sufficient and further details about the movement of financial instruments is not relevant for the users of eligible subsidiaries' financial statements. Paragraph 43 proposes the disclosure of the carrying amounts of financial assets and financial liabilities by category.

A4.15. One respondent suggested adding paragraph 10(d) of IFRS 7 to the draft Standard (as part of paragraph 45 of the draft Standard) because it provides information on liquidity and solvency. This paragraph requires disclosure of the amount presented in other comprehensive income that was realised at derecognition for a financial liability designated as at fair value through profit or loss and is required to present the effects of changes in that liability's credit risk in other comprehensive income.

A4.16. One respondent suggested adding paragraph 11B of IFRS 7 because it provides more information on judgements, fair value and disaggregation. This paragraph requires disclosures for investments in equity instruments measured at fair value through other comprehensive income that are derecognised in the reporting period.

Staff analysis

A4.17. The disclosure requirements in paragraphs 45–46 of the draft Standard provide more information than just movement in the carrying amount of financial instruments. They also provide information on the movement that is specifically attributable to credit risk and the difference between the carrying amount and the amount the entity would be contractually required to pay at maturity. These disclosures provide useful information about cash flows, liquidity, and solvency. Consequently, the staff disagrees with the respondent that suggested deleting these paragraphs.

A4.18. The information required by paragraph 10(d) of IFRS 7 will be presented in the subsidiaries' statement of comprehensive income (see paragraph 82A of IAS 1 *Presentation of Financial Statements*) and statement of changes in equity (see paragraph 106 of IAS 1). Therefore, the staff do not recommend the IASB adds this paragraph to the new Standard.

A4.19. The staff do not agree with adding paragraph 11B of IFRS 7. The disclosure of carrying amounts by category of financial asset or financial liability as required by paragraph 43 of the draft Standard is sufficient considering the principles for reducing disclosure requirements (see paragraph 8 of this paper). Additionally, the effects of the derecognition will be presented in the statement of changes in equity.

Staff recommendations

A4.20. The staff recommends the IASB:

(a) retain paragraphs 45–46 of the draft Standard.

(b) not add paragraph 10(d) of IFRS 7 to the new Standard.

(c) not add paragraph 11B of IFRS 7 to the new Standard.

Reclassification

Table A4.3—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
47(a)–(c)	2	The proposed disclosure requirement is based on paragraph 12B of IFRS 7. Two comments received. See paragraphs A4.21–A4.26.
48(a)–(b)	2	The proposed disclosure requirement is based on paragraph 12C of IFRS 7. Two comments received. See paragraphs A4.21–A4.26.

Development of the proposed disclosure requirements

A4.21. The disclosure requirements in paragraphs 47–48 were proposed in the draft Standard as they provide information about reclassification of financial assets. The *IFRS for SMEs* Accounting Standard does not classify financial instruments based on an entity's business model.

A4.22. Paragraph 47 of the draft Standard proposes information if an entity changes its business model for managing financial assets and reclassifies any financial assets. Reclassification can have implications for the timing of cash flows and accounting policies for reclassifications.

A4.23. Paragraph 48 of the draft Standard is required if an entity reclassified assets out of the 'fair value through profit or loss' category, it provides information that supports the principle of disaggregation.

Summary of feedback

A4.24. Two respondents suggested deleting paragraphs 47–48 of the draft Standard. They believe that the proposed disclosure requirements in paragraph 43 of the draft Standard will provide sufficient and relevant information to the users of eligible subsidiaries' financial statements.

Staff analysis

A4.25. The staff agree that the proposed disclosure requirement in paragraphs 47–48 of the draft Standard provide useful information about reclassifications of financial instruments. Nevertheless, the staff noted that paragraph B4.4.1 of IFRS 9 *Financial Instruments* said that reclassifications are expected to be 'very infrequent'. Considering the nature of entities eligible to apply the draft Standard, such reclassification for eligible subsidiaries could be more infrequent.

Staff recommendation

A4.26. The staff recommends the IASB delete paragraphs 47–48 of the draft Standard.

Compound financial instruments with multiple embedded derivatives

Table A4.4—categorisation of the proposed disclosure requirement

Paragraph of draft Standard	Group	Remarks
50	3	This proposed disclosure requirement is based on paragraph 17 of IFRS 7. One comment received. See paragraphs A4.27–A4.31.

Development of the proposed disclosure requirement

A4.27. Paragraph 50 of the draft Standard proposes an entity to disclose the existence of compound financial instruments with multiple embedded derivatives. This disclosure requirement was proposed as it provides information about disaggregation of amounts presented in the financial statements. The IASB identified this proposed disclosure requirement as an exception to its agreed approach because it is related to improved disclosure requirements in IFRS Accounting Standard that the *IFRS for SMEs*

Accounting Standard had not been updated for (see paragraph BC52 of the Basis for Conclusions on the Exposure Draft).

Summary of feedback

A4.28. The respondent suggested deleting paragraph 50 of the draft Standard as this disclosure is not included in other reduced disclosure standards (for example, Australian Accounting Standards Boards (AASB) 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and United Kingdom's Financial Reporting Council's FRS 101 *Reduced Disclosure Framework*). Additionally, the respondent believes that users would benefit more from the consolidated financial statements of the group rather than the subsidiaries' financial statements.

Staff analysis

A4.29. As noted, the IASB proposed paragraph 50 of the draft Standard, acknowledging it was an exception to its agreed approach. At its November 2020 meeting[10], the IASB agreed the information provided by the disclosure requirement is supported by the principles in paragraph 8 of this paper, that is the proposed disclosure requirement provides information about obligations, liquidity and solvency. The disclosure also provides disaggregation for the compound financial instrument.

A4.30. In relation to the respondents view that users would benefit more from the consolidated financial statements, the IASB in developing the proposed disclosure requirements in the draft Standard intended that the subsidiary's financial statements should be able to provide information about its financial position and performance (whether separate or consolidated) regardless of whether the information would be reported (or not) in its parent's consolidated financial statements (see paragraph BC22 of the Basis for Conclusions on the Exposure Draft).

[10] See Appendix B of Agenda Paper 31A *Exceptions to the process for adapting disclosure requirements* of the November 2020 IASB meeting.

Staff recommendation

A4.31. The staff recommends the IASB retain paragraph 50 of the draft Standard.

Items of income, expense, gains or losses

Table A4.5—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
54(a)–(d)	2	The proposed disclosure requirement is based on paragraph 11.48 of the *IFRS for SMEs* Accounting Standard and paragraph 20 of IFRS 7. One comment received. See paragraphs A4.32–A4.35.

Development of the proposed disclosure requirements

A4.32. Both IFRS 7 and the *IFRS for SMEs* Accounting Standard require disclosure of income, expense, gains or losses that arise from financial assets and financial liabilities. The difference in the disclosure requirements between the two standards is due to the different classification requirements of financial instruments in IFRS 9 and the *IFRS for SMEs* Accounting Standard. In developing the proposed disclosure requirement, this difference was taken into consideration.

Summary of feedback

A4.33. One respondent suggested adding paragraph 20A of IFRS 7 to the draft Standard because it provides information on judgements and disaggregation. Paragraph 20A of IFRS 7 requires disclosure of an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. The disclosure also requires the entity to include reasons for the derecognition of those assets.

Staff analysis

A4.34. The staff do not agree with adding paragraph 20A of IFRS 7 in the draft Standard. The effects of derecognition are the same in IFRS 7 and the *IFRS for SMEs* Accounting Standard, so there is no recognition and measurement difference in that aspect. Applying the IASB's agreed approach, paragraph 20A of IFRS 7 was not proposed.

Staff recommendation

A4.35. The staff recommends the IASB not add paragraph 20A of IFRS 7 to the new Standard.

Hedge accounting

Table A4.6—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
55(a)–(c)	3	The proposed disclosure requirement is based on paragraph 22A of IFRS 7. Two comments received. See paragraphs A4.36–A4.39.

Development of the proposed disclosure requirements

A4.36. Paragraph 55 of the draft Standard proposes an eligible subsidiary explains its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting applies. The proposed disclosure provides information on measurement uncertainties. The IASB identified this proposed disclosure requirement as an exception to its agreed approach (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft).

Summary of feedback

A4.37. Two respondents suggested deleting paragraph 55 of the draft Standard because the disclosure requirements in paragraphs 56–58 of the draft Standard will provide sufficient information for users of eligible subsidiaries' financial statements to understand the hedging strategy and its impact on the financial position and financial performance of the subsidiary. Paragraphs 56–58 of the draft Standard proposed disclosure requirements include disclosures about the nature of the hedging instruments and hedged items, the carrying amounts of the hedging instruments and the carrying amount of the hedged items.

Staff analysis

A4.38. The staff agree that the disclosure requirements in paragraphs 56–58 of the draft Standard will provide sufficient information to address the measurement uncertainties principle. In applying paragraph 55 of the draft Standard, an eligible subsidiary would provide the information required by paragraphs 56–58 of the draft Standard.

Staff recommendation

A4.39. The staff recommends the IASB delete paragraph 55 of the draft Standard.

Uncertainty arising from interest rate benchmark reform and additional disclosures related to interest rate benchmark reform

Table A4.7—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
59(a)–(e)	2	The proposed disclosure requirement is based on paragraph 24H of IFRS 7. One comment received. See paragraphs A4.40–A4.44.
60	3	The proposed disclosure requirement is based on paragraph 24J(c) of IFRS 7. Two comments received. See paragraphs A4.40–A4.44.

Development of the proposed disclosure requirements

A4.40. Paragraphs 59–60 of the draft Standard proposes disclosures about interest rate benchmark reform. This topic is not addressed in the *IFRS for SMEs* Accounting Standard because the hedging effectiveness requirements are not the same as those in IFRS 9.

A4.41. Furthermore, paragraph 60 of the draft Standard is a disclosure improvement from IFRS 7, the IASB identified this as an exception to its agreed approach (see paragraph BC51 of the Basis for Conclusions on the Exposure Draft).

Summary of feedback

A4.42. Respondents suggested deleting paragraphs 59–60 of the draft Standard because, in their view, the disclosures are beyond the needs of users of eligible subsidiaries' financial statements. Furthermore, two respondents said that that the disclosure required by paragraph 60 of the draft Standard is too costly to prepare.

Staff analysis

A4.43. Paragraph 59 of the draft Standard provides information about cash flows. Paragraph 60 of the draft Standard proposes disclosure of information on the changes to its risk management strategy due to the transition to alternative benchmark rates. The proposed disclosure requirements in paragraph 59(b)–(c) of the draft Standard include the management of risks arising from interest rate benchmark reform, which provide information about the entity's risk management strategy.

Staff recommendations

A4.44. The staff recommends the IASB:

(a) retain paragraph 59 of the draft Standard.

(b) delete paragraph 60 of the draft Standard.

The credit risk management practices, quantitative and qualitative information about amounts arising from expected credit losses, changes in the loss allowance and credit risk exposure

Table A4.8—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
62(a)–(b)	2	This disclosure is based on paragraph 35F(a)—(b) of IFRS 7. Four comments received. See paragraphs A4.45–A4.50.
63(a)–(c)	2	This disclosure is based on paragraph 35G of IFRS 7. Four comments received. See paragraphs A4.45–A4.50.
64(a)–(c)	2	This disclosure is based on paragraph 35H of IFRS 7. Four comments received. See paragraphs A4.45–A4.50.
65	2	This disclosure is based on paragraph B8E of IFRS 7. Three comments received. See paragraphs A4.45–A4.50.
66(a)–(d)	2	This disclosure is based on paragraph 35I of IFRS 7. Three comments received. See paragraphs A4.45–A4.50.
67(a)–(c)	2	This disclosure is based on paragraph 35M of IFRS 7. Two comments received. See paragraphs A4.45–A4.50.

Development of the proposed disclosure requirements

A4.45. Paragraphs 62–67 of the draft Standard relate to credit risk management practices. There is a recognition and measurement difference in impairment models as the expected credit loss model (ECL) is required in IFRS 9 and the incurred loss model is required in the *IFRS for SMEs* Accounting Standard.

Summary of feedback

A4.46. Four respondents suggested deleting paragraphs 62–64 of the draft Standard and three respondents suggested deleting paragraphs 65–67 of the draft Standard because the proposed disclosure requirements are costly to prepare, excessive and go beyond users of eligible subsidiaries' financial statements information needs and the information could be obtained from the group's consolidated financial statements.

Staff analysis

A4.47. Paragraphs 63–65 of the draft Standard proposes disclosure of information on credit risk management and changes to the loss allowance. Paragraph 66 of the draft Standard proposes disclosure of information on the relationship between the loss allowance and the gross carrying amount of financial instruments and an entity's exposure to credit risk.

A4.48. The staff are of the view that paragraphs 63–65 of the draft Standard are sufficient to provide quantitative and qualitative information about measurement uncertainty and disaggregation of ECL. Subsidiaries eligible to apply the draft Standard are more likely to hold financial assets such as trade receivables, intercompany loans and will apply the general approach in the measuring ECL, such disclosures are useful for the users of the financial statements.

A4.49. The staff agree with respondents that paragraphs 62 and 66–67 of the draft Standard go beyond users of eligible subsidiaries financial statements information needs. Furthermore, the staff think deleting these disclosures will lead to a better balance between the cost and benefits of providing the disclosures, given the entities in the scope of the draft Standard.

Staff recommendations

A4.50. The staff recommends the IASB:

(a) delete paragraphs 62, 66 and 67 of the draft Standard; and

(b) retain paragraph 63–65 of the draft Standard.

Other comments—suggested additional disclosures

Summary of feedback

A4.51. Nine respondents suggested adding paragraph 39 of IFRS 7 to the draft Standard. This paragraph requires an entity to disclose information about liquidity risk which includes a maturity analysis for non-derivative and derivative financial liabilities and a description of how the entity manages liquidity risk (liquidity risk disclosure). The respondents suggest adding this paragraph because it provides information about liquidity and solvency.

Staff analysis

A4.52. Paragraph 44 of the draft Standard includes maturity and repayment schedule for long-term debt as examples of information that an eligible subsidiary should disclose to enable users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. The staff agree with the respondents and think that adding paragraph 39 of IFRS 7 to the draft Standard will provide useful information for users of eligible subsidiaries' financial statements as it provides information about liquidity and solvency. The staff think that providing such information is not costly to provide as it is expected that eligible subsidiaries financial instruments would usually be short-term in nature.

A4.53. Comments have been received on similar disclosure, paragraph 100(d) of the draft Standard for IFRS 16 *Leases* which requires lessees to disclose a maturity analysis of lease liabilities. Respondents have sought clarity, and some suggested deleting the paragraph because the maturity analysis is required in IFRS 7. The IASB may consider deleting this paragraph as the maturity analysis will be included in the IFRS 7 disclosure requirements.

Staff recommendation

A4.54. The staff recommends the IASB add paragraph 39 of IFRS 7 to the new Standard.

Other comments—further reduction of the disclosure requirements

Summary of feedback

A4.55. Six respondents requested the IASB to consider reducing the disclosure requirements in the draft standard as they are excessive, particularly for IFRS 7. One of the respondents said the benefits of reduced disclosures can be achieved through the appropriate application of materiality and questioned whether there are benefits from the new Standard unless there is a further reduction in the disclosure requirements.

Staff analysis

A4.56. Many of the proposed disclosure requirements for financial instruments are only applicable when specific circumstances are present, for example if a subsidiary holds a financial asset and applies the general model for the recognition and measurement of ECL or has hedging arrangements would need to provide the applicable disclosures. Whereas when those specific circumstances are not present, those disclosure requirements will not be applicable to eligible subsidiaries.

A4.57. In developing the proposed disclosure requirements, the IASB has sought to balance the costs of providing disclosures with the information needs of users of financial statements. The staff think when specific circumstances are present, the information required by the proposed disclosures will be useful to users of eligible subsidiaries' financial statements.

A4.58. Furthermore, having analysed feedback on the individual disclosures the staff is recommending the IASB adds one disclosure and deletes eight disclosures. The staff think that this analysis provides evidence that disclosures have been developed applying the IASB's approach, with appropriate exceptions.

Staff recommendation

A4.59. The staff recommends no action in response to the views of the six respondents that requested the IASB consider reducing the disclosure requirements in the draft standard as they are excessive.

Other comments—clarity sought on the inclusion or exclusion of disclosure requirements

Summary of feedback

A4.60. One respondent sought clarity on the IASB's decision to include or exclude disclosure requirements. For example, it is not clear why:

(a) separate disclosure in the statement of financial position or in the notes is required for financial liabilities, but not for financial assets, that are designated as at fair value through profit or loss. Further, the draft Standard does not propose separate disclosure in the statement of financial performance or in the notes of items of income, expense, gains or losses on such financial liabilities.

(b) disclosures are required for transferred financial assets that are not derecognised in their entirety but *not* for those that are derecognised in their entirety.

Staff analysis

A4.61. There are recognition and measurement differences between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard with regard to accounting for financial instruments. The IASB has applied its approach to developing disclosure requirements consistently, and the exceptions to the approach have been set out in the Basis for Conclusions on the Exposure Draft. The IASB has reconsidered the approach and apart from updating the language with IFRS Accounting Standards it has not changed its approach. It is now considering the feedback on the individual proposed disclosure requirements and will set out exceptions in the Basis for Conclusions on the new Standard. Disclosure requirements in IFRS 7 were not proposed in the draft Standard when they did not meet the principles of users information needs and for cost–benefit reasons.

Staff recommendation

A4.62. The staff recommends the IASB take no action on the matters raised in paragraph A4.60.

IFRS 13 *Fair Value Measurement*

Table A5: IFRS 13—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
79(a)–(c)	1	The proposed disclosure requirements are based on paragraphs 11.41 and 11.43 of the *IFRS for SMEs* Accounting Standard and paragraph 93 of IFRS 13. Four comments received. See paragraphs A5.1 to A5.7
80(a)–(b)	3	The proposed disclosure requirement is based on paragraph 93(e)(i)-(ii) of IFRS 13. Three comments received. See paragraphs A5.8–A5.15.
81(a)–(b)	4	This proposed requirement is based on paragraph 94 of IFRS 13 and provides guidance on determining ‘classes’ for the purpose of the disclosures required by paragraph 79. No comments received. As discussed in paragraphs 20–23 of this paper, guidance on how to apply the disclosure requirements that is available in IFRS Accounting Standards is not included in the new Standard.

Paragraph 79 of the draft Standard

Development of the proposed disclosure requirements

A5.1. Paragraph 79 of the draft Standard proposes an entity discloses information about assets and liabilities measured at fair value after initial recognition, including the carrying amount, level of the fair value hierarchy within which the fair value measurement is categorised and a description of the valuation technique(s).

A5.2. The disclosure requirements in paragraph 79 of the draft Standard are reduced compared to the disclosure requirements in paragraph 93(a)-(d) of IFRS 13. Paragraph 93 of IFRS 13 includes a requirement to disclose quantitative information about inputs used in Level 3 fair value measurements.

Summary of feedback

A5.3. The views of respondents who commented on the proposed disclosure requirements were mixed:

(a) two respondents recommended deleting the disclosure requirements in paragraph 79(b)–(c) of the draft Standard arguing that these disclosures are onerous and not useful to users.

(b) one respondent recommended adding requirements to disclose information about changes in valuation techniques and quantitative information about the significant unobservable inputs used in Level 3 fair value measurement, as required in paragraph 93(d) of IFRS 13.

(c) one respondent asked the IASB to clarify whether the requirements in paragraph 79(a)–(b) of the draft Standard apply to both recurring and non-recurring fair value measurements (as stated explicitly in paragraph 79(c) of the draft Standard).

Staff analysis

A5.4. The proposed requirements in paragraph 79 of the draft Standard were developed applying the IASB's approach and have been included in the *IFRS for SMEs* Accounting Standard since it was issued in 2009. Staff do not therefore support the view that disclosure requirements are too costly for eligible subsidiaries to prepare, notwithstanding the few respondents who argued that the disclosure requirements are too onerous.

A5.5. The staff are also of the view that is not necessary to require quantitative information on Level 3 inputs or information about changes in valuation techniques (paragraph 93(d) of IFRS 13). Adding this disclosure requirement would be an exception to the IASB's agreed approach and the information required by paragraph 93(d) does not meet the principles for reducing disclosure requirements in the draft Standard (see paragraph 8 of this paper).

A5.6. As noted in paragraph 10 of this paper, the IASB has decided to update the language in the draft Standard with the language used in IFRS Accounting Standards. Updating the language will clarify the requirements in paragraph 79(a)–(b) of the draft Standard apply to both recurring and non-recurring fair value measurements (see Agenda Paper 31B *Updating the language of the disclosure requirements* of this meeting).

Staff recommendation

A5.7. The staff recommends the IASB retain paragraph 79 of the draft Standard.

Paragraph 80 of the draft Standard

Development of the proposed disclosure requirements

A5.8. Paragraph 80 of the draft Standard proposes the disclosure of total gains and losses for the period recognised in profit or loss and other comprehensive income for recurring fair value measurements categorised within Level 3 of the fair value hierarchy.

A5.9. In proposing paragraph 80 of the draft Standard, the IASB made an exception to its agreed approach. Paragraph BC51 of the Basis for Conclusion on the Exposure Draft notes that the IASB took the view that some recent improvements to disclosure requirements in IFRS Accounting Standards would also benefit users of eligible subsidiaries financial statements, if the disclosure is supported by the principles used to develop disclosure requirements (see paragraph 8 of this paper).

A5.10. The IASB decided to add the requirements in paragraph 93I(i)–(ii) of IFRS 13 to disclose the total gains and losses on Level 3 instruments. The IASB concluded that these disclosures would provide a useful disaggregation of amounts presented in the financial statements, which is consistent with the principles of users' information needs (see paragraph 8 of this paper).

Summary of feedback

A5.11. The views of respondents who commented on the proposed disclosure requirement were mixed:

(a) one respondent recommended deleting the disclosure requirement arguing that the disclosure is not useful to users;

(b) one respondent recommended requiring a full reconciliation of the opening and closing balances of Level 3 instruments, as required by paragraph 93(e) of IFRS 13, or at a minimum adding a requirement to disclose information about purchases, sales and settlements, as required by paragraph 93(e)(iii) of IFRS 13; and

(c) one respondent recommended adding a requirement to disclose the amount of the total gains and losses that is attributable to the change in unrealised gains and losses relating to those assets and liabilities held at the end of the period, as required by paragraph 93(f) of IFRS 13.

Staff analysis

A5.12. The staff do not agree with the respondent view that the proposed disclosure requirement in paragraph 80 of the draft Standard is not useful to users because the proposed disclosure will provide disaggregated information on assets and liabilities measured at fair value in level 3 on the hierarchy.

A5.13. Furthermore, the staff do not recommend adding the disclosures suggested by respondents as these would be an exception to the IASB's agreed approach; specifically paragraph 93(f) of IFRS 13 could be costly to prepare as the information on unrealised gains and losses may not be readily available.

A5.14. In the staff's view, the comments suggesting reducing or expanding these disclosure requirements did not provide sufficient evidence for a need to reconsider the IASB's the proposed disclosure requirements for IFRS 13.

Staff recommendation

A5.15. The staff recommends the IASB retain paragraph 80 of the draft Standard.

Other comments

Summary of feedback

A5.16. In addition to the comments on specific paragraphs of the draft Standard discussed in paragraphs A5.1–A5.15, the IASB received the following general comments on the proposed disclosure requirements relating to fair value measurements:

(a) Four respondents recommended further reducing the proposed disclosure requirements based on the requirements in IFRS 13. According to one of these respondents:

> “We note that the disclosure requirements for IFRS 7 and 13 in the draft standard are more extensive than those in the *IFRS for SMEs* [Accounting] Standard. These are disproportionately burdensome and add little value to users of subsidiaries’ financial statements which often have few users that are external to the group.”

(b) One respondent recommended adding a disclosure requirement based on paragraph 93(i) of IFRS 13, which requires entities to disclose situations in which the highest and best use of a non-financial asset differs from its current use.

Staff analysis

A5.17. In developing the proposed disclosure requirements in the draft Standard, the IASB followed its approach and made exceptions for improvements to disclosure requirements in IFRS Accounting Standards. Respondents recommending further reducing these proposed disclosure requirements have not provided specific examples of areas where disclosures could be reduced further, or additional disclosure requirements are needed.

Staff recommendation

A5.18. The staff recommends the IASB take no action regarding other comments received on IFRS 13.

IFRS 14 *Regulatory Deferral Accounts*

Table A6: IFRS 14—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
85	2	The proposed disclosure requirement is based on paragraph 31 of IFRS 14. One comment received. See paragraph A6.2.
87(a)–(c)	2	The proposed disclosure requirement is based on paragraph 33(a) of IFRS 14. One comment received. See paragraphs A6.3–A6.6.

A6.1. In developing the proposed disclosure requirements for IFRS 14, the IASB applied the principles for reducing disclosures to the disclosure requirements in IFRS 14 because there are no requirements relating to regulatory deferral accounts in the *IFRS for SMEs* Accounting Standard.

Paragraph 85 of the draft Standard

A6.2. One respondent asked that the permission in paragraph 85 of the draft Standard to cross-reference to other parts of the financial statements is removed. However, as this requirement is based directly on IFRS 14 which also allows such cross-referencing, no further action is recommended in this regard.

Paragraph 87 of the draft Standard

Development of the proposed disclosure requirement

A6.3. Paragraph 87 of the draft Standard proposes the disclosure, for each class of regulatory deferral account balance, of reconciliation of the carrying amounts at the beginning and the end of the period. Subparagraphs (a)–(c) listed reconciling items that would usually be considered relevant.

Summary of feedback

A6.4. The respondent requested clarification of paragraph 87 of the draft Standard which proposes an entity applies judgement in deciding the level of detail necessary for the reconciliation but then lists disclosures which 'would usually be relevant'. The respondent suggested it would be more helpful to preparers if the requirement stated whether subparagraphs (a)–(c) were mandatory or not, rather than leaving this open to the preparer's judgement.

Staff analysis

A6.5. Paragraph 87 of the draft Standard, as noted, is based on paragraph 33(a) of IFRS 14. Making this requirement more prescriptive in the new Standard than it is in IFRS 14 would risk making the Standard harder to apply than IFRS 14. Furthermore, it would be inconsistent with the IASB's tentative decision to align the language in the new Standard with that in full IFRS Accounting Standards (see paragraph 10 of this paper).

Staff recommendation

A6.6. The staff recommends the IASB retain paragraph 87 of the draft Standard.

Other comments

Summary of feedback

A6.7. One respondent said that since IFRS 14 is a 'temporary IFRS Accounting Standard', drafted to allow entities to continue with at least some aspects of the accounting policies they had used before the entity adopted IFRS Accounting Standards even where this led to inconsistency with the *Conceptual Framework*, it would be preferable to require all the disclosures from IFRS 14 rather than reducing them.

A6.8. Another respondent suggested that since a replacement standard for IFRS 14 is in the pipeline, the IASB should monitor the progress of the new IFRS Accounting Standard to include disclosures based on this new IFRS Accounting Standard rather than on IFRS 14. This would be helpful for entities in jurisdictions that have not adopted IFRS 14.

Staff analysis

A6.9. The IASB applied the principles for reducing disclosure requirements in paragraph 8 of this paper and assessed cost–benefit in developing the proposed disclosure requirements in the draft Standard. The staff do not consider there is any reason for the IASB to deviate from its approach because IFRS 14 is a temporary standard. If the IASB took this approach it could be extended to other projects on the IASB work plan.

A6.10. In respect of the suggestion to monitor the progress of the new IFRS Accounting Standard for rate-regulated activities, at its June 2022 meeting the IASB tentatively decide to defer considering amendments to the disclosure requirements in IFRS Accounting Standards issued after 28 February 2021 until after the new Standard is issued.[11]

Staff recommendation

A6.11. The staff recommends the IASB retain the proposed disclosure requirements for IFRS 14.

IAS 2 *Inventories*

Development of the proposed disclosure requirements

A7.1. Applying the IASB's agreed approach, the proposed disclosure requirements for IAS 2 were based on the *IFRS for SMEs* Accounting Standard because there is no recognition and measurement difference.

Summary of feedback

A7.2. Although there were no comments on the proposed disclosure requirement for IAS 2, one respondent suggested adding paragraphs 37–39 of IAS 2. In this respondent's view these paragraphs, which provide guidance on how to apply the disclosure

[11] See IASB *Update* of the June 2022 IASB meeting.

requirements in paragraph 128 of the draft Standard, would be helpful when applying the new Standard.

Staff recommendation

A7.3. As discussed in paragraphs 20–23 of this paper, guidance on how to apply the disclosure requirements that is available in IFRS Accounting Standards is not included in the new Standard.

IAS 7 *Statement of Cash Flows*

Table A8: IAS 7—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
130(l(e)	3	This proposed disclosure requirement is based on paragraphs 44A–44E of IAS 7. Fifteen comments received. See paragraphs A8.1–A8.8.
132	4	This proposed disclosure requirement is based on paragraph 46 of IAS 7. Two comments received. See paragraphs A8.9–A8.14.

Paragraph 130 of the draft Standard—Changes in liabilities arising from financing activities

Development of the proposed disclosure requirements

A8.1. Paragraphs 44A–44E of IAS 7 were introduced to address user information needs to evaluate the changes in liabilities arising from financing activities (see paragraphs BC9–BC11 of the Basis for Conclusions on IAS 7), including non-cash changes. The amendment to IAS 7 was issued in 2015.

A8.2. As the amendment to IAS 7 was issued in 2015, at the time of developing the proposed disclosure requirements in the draft Standard, the *IFRS for SMEs* Accounting Standard did not include this disclosure requirements—paragraph 129 of the draft Standard was therefore an exception to the IASB's agreed approach.

A8.3. The IASB explained in paragraph BC46 of the Exposure Draft that:

> … based on feedback to the Second Comprehensive Review of the *IFRS for SMEs* Standard from users of SMEs' financial statements about the importance of this information, the IASB is proposing to include a simplified version of those requirements in the draft Standard.

Summary of feedback

A8.4. Question 4(b) of the Invitation to Comment asked:

> (i) Would the information an eligible subsidiary reports in its financial statements applying paragraph 130 of the draft Standard differ from information it reports to its parent (as required by paragraphs 44A–44E of IFRS 7) so that its parent can prepare consolidated financial statements? If so, in what respect?
>
> (ii) In your experience, to satisfy paragraphs 44A–44E of IAS 7, do consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities?

A8.5. The views of respondents who commented on the proposed disclosure requirement were mixed:

(a) three respondents suggested deleting paragraph 130 of the draft Standard. In their view the information is not useful because subsidiaries are reliant on the group for financing and such information will be available in the group's financial statements.

(b) seven respondents suggested clarifying why the disclosure would be useful to users of eligible subsidiaries' financial statements. Some of these respondents were supportive of the disclosure requirement but asked for clarification.

(c) one respondent suggested expanding the proposed disclosure requirement to include changes in financial assets as in paragraph 44C of IAS 7 because it will facilitate preparation of the parent's consolidated financial statements.

(d) four respondents supported the proposed disclosure requirement.

A8.6. Most respondents who commented on question 4(b)(i) of the Invitation to Comment said that consolidated financial statements include a reconciliation of liabilities arising from financing activities.

Staff analysis

A8.7. The most significant concern raised by respondents was that information would not be useful because an eligible subsidiary relies on the group for financing. However, if this is correct then financing loans between group entities will be part of the reconciliation, and users will be provided with information that helps them understand the financing arrangements between the eligible subsidiary, its parent and group entities.

Staff recommendation

A8.8. The staff recommends the IASB retain paragraph 130 of the draft Standard, explaining this is an exception to its agreed approach in the Basis for Conclusions.

Paragraph 132 of the draft Standard

Development of the proposed disclosure requirements

A8.9. Paragraph 132 of the draft Standard states:

> In view of the variety of cash management practices and banking arrangements around the world and in order to comply with IAS 1 *Presentation of Financial Statements*, an entity discloses the policy which it adopts in determining the composition of cash and cash equivalents.

A8.10. Paragraph 132 of the draft Standard is based on paragraph 46 of IAS 7. The *IFRS for SMEs* Accounting Standards does not include an equivalent disclosure requirement.

A8.11. In developing the draft Standard it was reasoned that paragraph 46 of IAS 7 was referring to paragraph 117 of IAS 1. Paragraph 123 of the draft Standard is based on paragraph 117 of IAS 1, it was reasoned paragraph 46 of IAS 7 should be proposed in the draft Standard.

Summary of feedback

A8.12. Two respondents suggested deleting paragraph 132 of the draft Standard because, in their view, the proposed disclosure requirement does not provide useful information.

Staff analysis

A8.13. The staff think, together with paragraph 131 of the draft Standard, paragraph 132 of the draft Standard provides users with information to understand the components of cash and cash equivalents of an eligible subsidiary's financial statements. Such disclosure is entity-specific because it proposes the subsidiary discloses the policy for determining its cash and cash equivalents. Consequently, the staff think that paragraph 132 of the draft Standard would provide useful information to users of eligible subsidiaries' financial statements, especially given the feedback about the relationship between group entities and financing arrangements.

Staff recommendation

A8.14. The staff recommends the IASB retain paragraph 132 of the draft Standard.

Other comments—requirement to prepare a Statement of Cash Flows

Development of the proposed disclosure requirements

A8.15. As noted in paragraph 22 of this paper, the draft Standard includes *only* disclosure requirements. An eligible subsidiary electing to apply the Standard would continue to apply the recognition, measurement and presentation requirements in other IFRS Accounting Standards.

Summary of feedback

A8.16. Four respondents suggested that eligible subsidiaries should not be required to present a statement of cash flows. These respondents said considering that primary users of eligible subsidiaries financial statements would be its parent, lenders and tax authorities, who could demand information they need, it is doubtful whether the statement of cash flows is useful.

Staff analysis

A8.17. The staff noted that these respondents are largely based in the United Kingdom. The UK has its local reduced disclosure regime, FRS 101 that sets out disclosure exemptions from endorsed IFRS Accounting Standards for qualifying entities. FRS 101 also exempts qualifying entities from preparing statement of cash flows and applying the requirements of IAS 7.

A8.18. The statement of cash flows forms part of a complete set of financial statements (see paragraph 10 of IAS 1). Preparation of that statement is a *presentation* requirement and is therefore outside the scope of the project.

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Development of the proposed disclosure requirements

A9.1. The IASB explain in paragraph BC60 of Basis for Conclusions on the Exposure Draft that the *IFRS for SMEs* Accounting Standard is only updated periodically whereas IFRS Accounting Standards are updated regularly. The effect of new and amended IFRS Accounting Standards is therefore different from when the IASB issues a new edition of the *IFRS for SMEs* Accounting Standard. As a consequence, the IASB decided that the disclosure requirements in IAS 8 should remain applicable for subsidiaries applying the draft Standard.

Summary of feedback

A9.2. Some respondents commented on paragraphs 136–137 of the draft Standard, which propose disclosures about the effect of new IFRS Accounting Standards that are issued but not yet effective. These respondents said:

(a) the proposed disclosure requirements are not required applying the *IFRS for SMEs* Accounting Standard. Proposing them is inconsistent with the IASB's agreed approach. These respondents said the IASB should either delete or explain why these disclosures are justified.

(b) the proposed disclosure requirements are provided in the group's consolidated financial statements. Assessment of the impact of new IFRS Accounting Standards is undertaken at group level and cascaded to each subsidiary, therefore the proposed disclosure requirements should be deleted.

Staff analysis

A9.3. Regarding the respondents view that proposing the disclosure requirements for IAS 8 is inconsistent with the IASB approach. The IASB explained why the requirements for Standards issued but not yet effective are required in BC60 of Basis for Conclusions on the Exposure Draft. The circumstances have not changed.

A9.4. As regards the comment that the impact of new IFRS Accounting Standards is undertaken at the group level the staff notes the IASB's agreed approach is that subsidiaries' financial statements should stand on their own without the need to refer to other financial reports, including to its parent's consolidated statements.

Staff recommendation

A9.5. The staff recommends the IASB take no action regarding the feedback on the proposed disclosure requirements for IAS 8.

IAS 12 *Income Taxes*

Table A10.1: IAS 12—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
145	1	The disclosure requirement is based on paragraph 29.38 of the *IFRS for SMEs* Accounting Standard. Two respondents suggested deleting the proposed disclosure requirement because, in their view, the proposed disclosure is a *disclosure objective*. As discussed in paragraphs 15–19 of this paper, disclosure objectives are not included in the new Standard.
147(a)–(g)	1	The disclosure requirements are based on paragraph 29.40 of the *IFRS for SMEs* Accounting Standard and paragraphs 81 and 82A of IAS 12. Two comments received; one on paragraph 147I and paragraph 147(e) (see paragraphs A10.1–A10.8).

Sub-paragraph 147(c) of the draft Standard

Development of the proposed disclosure requirement

A10.1. Paragraph 147(c) of the draft Standard proposes disclosure of information about significant differences between the tax expense (income) and accounting profit multiplied by the applicable tax rate.

Summary of feedback

A10.2. One respondent said that the explanation of the significant differences between the tax expense and accounting profit multiplied by the applicable tax rate proposed in paragraph 147(c) of the draft Standard should be permitted in the form of a numerical reconciliation either by amounts or average effective tax rates as permitted by paragraph 81(c) of IAS 12.

Staff analysis

A10.3. The disclosure requirement in the *IFRS for SMEs* Accounting Standard requires an *explanation* of any significant differences between the tax expense and accounting profit multiplied by the tax rate and does not provide guidance on *how* such explanation should be presented.

A10.4. As noted in paragraph 10 of this paper, the IASB has decided to update language in the draft Standard with the language from IFRS Accounting Standards. Accordingly, the respondent's concern will be addressed when the language is updated.

Paragraph 147(e) of the draft Standard

Development of the proposed disclosure requirement

A10.5. Paragraph 147(e) of the draft Standard proposes disclosure of information on temporary difference and unused tax losses or unused tax credit.

Summary of feedback

A10.6. One respondent suggested deleting paragraph 147(e) of the draft Standard because it does not provide useful information to users.

Staff analysis

A10.7. Paragraph 147(e) of the draft Standard is based on paragraph 29.40(e) of the *IFRS for SMEs* Accounting Standard, deleting the disclosure would be an exception to the IASB's approach to developing disclosure requirements. The disclosure provides disaggregated information about temporary difference and used tax losses and credits, see paragraph 8 of this paper.

Staff recommendation

A10.8. The staff recommends the IASB retain paragraphs 147(c) and 147(e) of the draft Standard.

IAS 12—suggested additional disclosures

Table A10.2 IAS 12—suggested additional disclosures

Disclosure paragraph	Disclosure	Respondents' comments
81(f)	The aggregate amount of temporary differences related to investments in subsidiaries, branches and associates and interests in joint arrangements, for which deferred tax liabilities have not been recognised (see paragraph 39 of IAS 12)	Two comments received. The disclosure requirement provides information about short-term cash flows, one respondent viewed this information as valued by users. See paragraphs A10.9–A10.11.
81(h)	Tax expense related to discontinued operations	One comment received. The respondent viewed this information as relevant to users. See paragraphs A10.9–A10.11.
82	Amount of a deferred tax asset and the nature of the evidence supporting its recognition, in specified circumstances	Five comments received. The disclosure requirement provides information about measurement uncertainty given the subjectivity recognising and measuring deferred tax assets. See paragraphs A10.9–A10.11.

Staff analysis

A10.9. Adding the disclosure requirements in Table A10.2 would be an exception to the IASB's agreed approach. The IASB made exceptions to the agreed approach but these exceptions mainly related to improved disclosure requirements in IFRS Accounting Standard that the *IFRS for SMEs* Accounting Standard had not been updated for. The disclosures in Table A10.2 do not relate to disclosure improvements in IFRS Accounting Standards.

A10.10. While the staff agree that the disclosure required by paragraph 82 of IAS 12 would provide information on measurement uncertainty, paragraphs 124–125 of the draft Standard propose disclosure of information about the entity's judgements in applying material accounting policies and sources of estimation uncertainty.

Staff recommendation

A10.11. The staff recommends the IASB not add the disclosure requirements in Table A10.2 to the new Standard.

IAS 16 *Property, Plant and Equipment*

Table A11: IAS 16—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
148(e)	1	The proposed disclosure requirement is based on paragraph 17.31 of the *IFRS for SMEs* Accounting Standard and paragraph 73 of IAS 16. One comment received on paragral148(e). See paragraphs A11.1–A11.7
150 (a)–(d)	1	The proposed disclosure requirement is based on paragraph 17.33 of the *IFRS for SMEs* Accounting Standard and paragraph 77 of IAS 16. Two comments received on paragraph 150(c). See paragraphs A11.8–A11.11.

Additional line item in paragraph 148(e) of the draft Standard

A11.1. Paragraph 148(e) of the draft Standard proposes disclosure of a reconciliation of the carrying amount at the beginning and end of the reporting period for each class of property, plant and equipment.

Summary of feedback

A11.2. The respondent suggested adding paragraph 73(e)(viii) of IAS 16. This paragraph requires the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency to be disclosed as a separate line item in the reconciliation of the carrying amount of property, plant and equipment.

A11.3. The respondent questioned why the disclosure requirement was omitted for IAS 16 disclosures but proposed for IAS 41 *Agriculture* in the draft Standard. The respondent recommended the IASB to consider whether there should be consistency between these two disclosure requirements in the draft Standard.

Staff analysis

A11.4. The recognition and measurement requirements in IAS 16 and IAS 41 are different. IAS 16 permits either the cost model or the revaluation model for property, plant and equipment whereas applying IAS 41, biological assets are measured at fair value less costs to sell (except where fair value cannot be measured reliably). In developing the disclosure requirements in the *IFRS for SMEs* Accounting Standard, the IASB noted that net exchange differences are important to users of SME financial statements for biological assets measured at fair value less costs to sell but such level of disaggregation is not necessary for property, plant and equipment.[12]

A11.5. The IASB followed its agreed approach in developing the disclosure requirements for IAS 16, if the IASB were to add paragraph 73(e)(viii) of IAS 16 it would be an exception to its approach.

A11.6. No feedback has been received on this disclosure requirement in the *IFRS for SMEs* Accounting Standard. Consequently, the staff were unable to identify a reason for the IASB to make an exception to its approach to developing disclosure requirements or changes its position from when it developed the disclosure requirements in the *IFRS for SMEs* Accounting Standard.

Staff recommendation

A11.7. The staff recommends the IASB not add paragraph 73(e)(viii) of IAS 16 to the new Standard.

Paragraph 150(c) of the draft Standard

Development of the proposed disclosure requirements

A11.8. Paragraph 150(c) of the draft Standard proposes for each revalued class of property, plant, and equipment disclosure of the carrying amount that would have been recognised had the assets been carried under the cost model.

[12] See page 44 of *AP4 addendum 2: Summary of Board redeliberations of the disclosure principles proposed in the Exposure Draft* of the March 2009 IASB meeting.

Summary of feedback

A11.9. Two respondents suggested deleting paragraph 150(c) of the draft Standard. The respondents are of the view that deleting the disclosure requirement will not affect the information needs of users of eligible subsidiaries' financial statements.

Staff analysis

A11.10. The cost model, and the revaluation model are permitted by IAS 16 and the *IFRS for SMEs* Accounting Standard. Therefore, recognition and measurement requirements relating to this disclosure requirement are the same in both standards. Deleting this disclosure requirement would be an exception to the IASB's agreed approach. The staff could not identify a reason for making an exception for this disclosure requirement.

Staff recommendation

A11.11. The staff recommends the IASB retain paragraph 150(c) of the draft Standard.

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Table A12: IAS 21—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
161(a)–(b)	2	The proposed disclosure requirement is based on paragraph 30.25 of the *IFRS for SMEs* Accounting Standard and paragraph 52 of IAS 21. Two comments received on paragraph 161(b). See paragraphs A12.1–A12.7.

Paragraph 161(b) of the draft Standard

Development of proposed disclosure requirement

A12.1. Paragraph 161(b) of the draft Standard is based on paragraph 30.25 of the *IFRS for SMEs* Accounting Standard but is extended to include a reconciliation of the amount of exchange differences recognised in other comprehensive income and accumulated in a separate component of equity.

A12.2. The *IFRS for SMEs* Accounting Standard does not permit cumulative exchange differences that relate to a foreign operation that were previously recognised in other comprehensive income to be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal of a foreign operation is recognised. The reconciliation was proposed in paragraph 161(b) of the draft Standard due to this recognition and measurement difference.

Summary of feedback

A12.3. Two respondents commented on paragraph 161(b) of the draft Standard.

(a) one respondent suggested clarifying why users of eligible subsidiaries' financial statements would need this information.

(b) one respondent suggested deleting this proposed disclosure requirement. In this respondent's view, the information may be obtained from statement of comprehensive income and the statement of changes in equity.

Staff analysis

A12.4. The staff agree that the net exchange difference will be reported in the statement of changes in equity statement when it presents reconciliation of each component of equity (paragraph 106(d) of IAS 1). Similarly, because it is an item of 'other comprehensive income' (paragraph 39(c) of IAS 21), it will also be reported in the statement of profit or loss and other comprehensive income.

A12.5. Although paragraph 106(d) of IAS 1 and paragraph 6.3(c) of *IFRS for SMEs* Accounting Standard require for each component of equity, to present a reconciliation between the carrying amount at the beginning and end of the period, the change due to other comprehensive income can be presented as one item.

A12.6. As paragraph 92 of IAS 1 (requiring disclosure of reclassification adjustments relating to components of other comprehensive income) will remain applicable for eligible subsidiaries applying the new Standard, the reconciliation proposed by paragraph 161(b) of the draft Standard includes the reclassification adjustment. Consequently, the reconciliation should not be onerous for the eligible subsidiaries to provide.

Staff recommendation

A12.7. The staff recommends the IASB retain paragraph 161(b) of the draft Standard.

IAS 24 *Related Party Disclosures*

Table A13: IAS 24—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
165(b)	4	The proposed disclosure requirement is specific to the draft Standard. One comment received on paragraph 165(b). See paragraphs A13.1–A13.4.
169(a)–(d)	1	The proposed disclosure requirement is based on paragraph 33.9 of the *IFRS for SMEs* Accounting Standard and paragraph 18 of IAS 24. One comment received on paragraph 169(b). See paragraphs A13.5–A13.8.
171(a)–(b)	1	The proposed disclosure requirement is based on paragraph 33.11 of the *IFRS for SMEs* Accounting Standard and paragraph 25 of IAS 24. One comment received. See paragraphs A13.9–A13.13.

Paragraph 165(b) of the draft Standard

Development of the proposed disclosure requirement

A13.1. Paragraph 165(b) of the draft standard is specific to the draft Standard and proposes disclosure of the name of the entity that prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards which results in the entity being eligible to apply the draft Standard.

Summary of feedback

A13.2. One respondent suggested amending paragraph 165(b) of the draft Standard to require an eligible subsidiary to disclose the name of the entity in its group that provides the disclosures required by IFRS 7 and IFRS 13. In the respondent's view such a cross reference will be helpful to the users of the financial statements.

Staff analysis

A13.3. The staff notes the IASB's agreed approach is that subsidiaries' financial statements should stand on their own without the need to refer to other financial reports, including to its parent's consolidated statements. Furthermore, in developing the disclosure requirements for IFRS 7 and IFRS 13, the IASB considered the information needs of users of eligible subsidiaries' financial statements and cost–benefit.

Staff recommendation

A13.4. The staff recommends the IASB retain paragraph 165(b) of the draft Standard.

Paragraph 169 of the draft Standard

Development of the proposed disclosure requirement

A13.5. Paragraph 169 of the draft Standard sets out the minimum disclosure requirements for related party transactions—amount of the transactions, outstanding balances including related provision for uncollected receivables.

Summary of feedback

A13.6. One respondent suggested adding the phrase 'including commitments' to paragraph 169(b) of the draft Standard. The respondent said that it was not clear whether an eligible subsidiary is required to disclose any commitments arising from related party transactions.

Staff analysis

A13.7. Adding the phrase 'including commitments' to paragraph 169(b) of the draft Standard would be consistent with paragraph 18(b) of IAS 24, therefore the respondents' concern will be addressed when the proposed disclosure requirements are updated for the IASB's decision in October 2022 to update the language in the new Standard to be consistent with IFRS Accounting Standards (see paragraph 10 of this paper).

Staff recommendation

A13.8. The staff recommends the IASB retain paragraph 169(b) of the draft Standard, subject to updating the language.

Paragraph 171 of the draft Standard

Development of the proposed disclosure requirement

A13.9. Paragraph 171 of the draft Standard proposes exemptions from disclosure of related party transactions required by paragraph 169 of the draft Standard when the related party is a government-related entity.

Summary of feedback

A13.10. One respondent suggested clarifying that an eligible subsidiary has to disclose a parent-subsidiary relationship with a government-related entity. This clarification is included in paragraph 33.11 of the *IFRS for SMEs* Accounting Standard and paragraph 26 of IAS 24.

Staff analysis

A13.11. Paragraph 26 of IAS 24 clarifies and includes disclosures requirements when an entity applies the exemptions for government-related entities. The staff think that adding paragraph 26 of IAS 24 to the new Standard would clarify the exemptions in paragraph 171 of the draft Standard.

A13.12. The staff note that the IASB has proposed to amend paragraph 33.11 of the *IFRS for SMEs* Accounting Standard in the Exposure Draft Third Edition of the *IFRS for SMEs* Accounting Standard, adding a new paragraph 33.15.[13]

Staff recommendation

A13.13. The staff recommends the IASB add paragraph 26 of IAS 24 to the new Standard.

Other comments

Summary of feedback

A13.14. One respondent suggested reducing further the proposed disclosure requirements for IAS 24, particularly the disclosures on intra-group transactions. No justification was provided.

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[13] See paragraphs 40-41 of [Agenda Paper 30D *Second Comprehensive Review of the IFRS for SMEs Accounting Standard: Towards an exposure draft – sweep issues*] of May 2022 IASB Meeting.

A13.15. One respondent suggested not reducing disclosure requirements for IAS 24 but leave IAS 24 applicable similar to the approach for IFRS 17 *Insurance Contracts*. In this respondent's view, related party transactions are a high-risk fraud area. Therefore, related party transaction disclosure requirements should not be reduced.

A13.16. One respondent supported the disclosure requirements in the draft Standard. As a result of their outreach, users have indicated that such disclosures are useful.

Staff analysis

A13.17. Paragraphs A13.14–A13.16 of this paper identify the feedback on the proposed disclosure requirements for IAS 24 in the draft Standard is mixed. The disclosures for IAS 24 were developed using the IASB's agreed approach, any change would therefore be an exception to the approach.

Staff recommendation

A13.18. The staff recommends the IASB take no action in this regard.

IAS 32 *Financial Instruments: Presentation*

Table A14—Categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
182	2	The proposed disclosure requirement is based on paragraphs 13A–13C(a) of IFRS 7. Four comments received. See paragraphs A14.1–A14.5
183	2	The proposed disclosure requirement is based on paragraph B42 of IFRS 7. Three comments received. See paragraphs A14.1–A14.5.

Paragraphs 182–183 of the draft Standard

Development of the proposed disclosure requirements

A14.1. Paragraph 182–183 of the draft Standard proposes disclosures for financial assets and liabilities that have been offset in accordance with paragraph 42 of IAS 32. The *IFRS* *for SMEs* Accounting Standard does not require or permit offsetting of financial instruments (see paragraph 2.52 of the *IFRS for SMEs* Accounting Standard). Although this is a presentation difference, in developing the draft Standard, presentation differences were treated as a recognition and measurement difference.

Summary of feedback

A14.2. Three respondents suggested deleting paragraph 182 of the draft Standard while one respondent sought clarity. This is because, in their view, there is no recognition and measurement difference between IAS 32 and the *IFRS for SMEs* Accounting Standard regarding offsetting of financial instruments. Additionally, the respondents said that the proposed disclosure requirements in paragraphs 182–183 of the draft Standard do not provide useful information to users.

Staff analysis

A14.3. As stated in paragraph A14.1 of this paper, there is a recognition and measurement difference. The requirement to disclose the gross amounts that have been offset in accordance with paragraph 42 of IAS 32 supports the principle of disaggregation.

A14.4. Paragraphs 182–183 of the draft Standard are based on IFRS 7 and therefore these disclosures should be included under the IFRS 7 section of the new Standard.

Staff recommendation

A14.5. The staff recommends the IASB retain paragraphs 182–183 of the draft Standard and relocates these disclosure requirements to the IFRS 7 section of the new Standard.

IAS 34 *Interim Financial Reporting*

Table A15: IAS 34—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
185	4	The proposed disclosure requirement is based on paragraph 15B of IAS 34. One comment received. See paragraphs A15.1–A15.4.
187	4	The proposed disclosure requirement is based on paragraph 16A of IAS 34. One comment received. See paragraphs A15.5–A15.8.

Paragraph 185 of the draft Standard

Development of the proposed disclosure requirement

A15.1. Paragraph 185 of the draft Standard proposes a non-exhaustive list of examples of events and transactions that should be disclosed in interim financial statements if they are significant.

Summary of feedback

A15.2. One respondent suggested deleting paragraph 185(k) of the draft Standard. This proposes disclosure of transfers between levels of the fair value hierarchy used in measuring the fair value of financial instrument. In this respondent's view, this would make preparing eligible subsidiaries' interim financial statements more onerous than its annual financial statements because this disclosure is not proposed for IFRS 13 in the draft Standard.

Staff analysis

A15.3. The staff agree with the comment and think that disclosures required for eligible subsidiaries' interim financial statements should not be more onerous than the disclosures required for its annual financial statements[14].

[14] See paragraph 11 of Agenda Paper 31B *Proposed reduced disclosure requirements on IAS 34* of the December 2022 IASB meeting.

Staff recommendation

A15.4. The staff recommends the IASB delete paragraph 185(k) of the draft Standard.

Paragraph 187 of the draft Standard

Development of the proposed disclosure requirement

A15.5. Paragraph 187 of the draft Standard proposes other disclosures, in addition to significant events and transactions proposed by paragraph 184 of the draft Standard, that have to be provided in interim financial statements or elsewhere in the interim financial report.

Summary of feedback

A15.6. One respondent suggested deleting the statement in paragraph 187 of the draft Standard that the disclosures required could be cross-referred to other reports. In this respondent's view, giving an entity the opportunity to cross refer to other reports in providing information to users is inconsistent with the intention of keeping an entity's financial statement 'stand-alone'.

Staff analysis

A15.7. The ability to cross-refer to other reports is from paragraph 16A of IAS 34. As such, the staff could find no reason why an eligible subsidiary should not be permitted to make similar cross-references compared to an entity applying IAS 34.

Staff recommendation

A15.8. The staff recommends the IASB retain paragraph 187 of the draft Standard.

IAS 36 *Impairment of Assets*

Table A16: IAS 36—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
190(a)–(b)	1	The disclosure requirement is based on paragraph 27.32 of the *IFRS for SMEs* Accounting Standard and paragraph 126(a)–(b) of IAS 36. Three comments received. See paragraphs A16.1–A16.4.
191(a)–(f)	1	The disclosure requirement is based on paragraph 27.33 of the *IFRS for SMEs* Accounting Standard and paragraph 127 of IAS 36. One comment received. See paragraphs A16.1–A16.4.
193(a)–(e)	3	The disclosure requirement is based on paragraph 134(a)–(e) of IAS 36. Three comments received. See paragraphs A16.5–A16.11.

Paragraphs 190–191 of the draft Standard

Development of the proposed disclosure requirement

A16.1. Paragraphs 190–191 of the draft Standard propose disclosure of impairment losses and their reversal by class of assets.

Summary of feedback

A16.2. Three respondents suggested that the proposed disclosure requirements be expanded to include paragraphs 126(c) and 126(d) of IAS 36 which also require disclosures of impairment losses and reversals recognised in other comprehensive income.

Staff analysis

A16.3. Disclosures relating to impairment losses recognised or reversed in other comprehensive income are already proposed in the draft Standard as they relate to property, plant and equipment (paragraph 148(e)(iv) of the draft Standard) and to intangible assets (201(e)(v) of the draft Standard). Adding these requirements to the draft Standard would, arguably, be a duplication.

A16.4. The staff recommends the IASB not add paragraphs 126(c) and 126(d) of IAS 36 to the new Standard.

Paragraph 193 of the draft Standard

Development of the proposed disclosure requirement

A16.5. Paragraph 193 of the draft Standard is about estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite lives. The IASB decided to propose these disclosures as there is a measurement difference between the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards regarding the measurement of goodwill and intangible assets. Because of these measurement differences IAS 36 requires more disclosures about estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives.

A16.6. In proposing this paragraph in the draft Standard, the IASB decided the proposed disclosures provide information on measurement uncertainty (see paragraph 8 of this paper).[15]

Summary of feedback

A16.7. A number of respondents asked for more disclosure requirements relating to the detail of how an impairment charge is calculated, or how the recoverable amount is determined. The most frequent suggestion was to add some or all of the requirements from paragraph 134(d)–(e) of IAS 36, which require details of key assumptions in determining an asset or the cash generating unit's recoverable amount, the periods over which cash flows have been forecast, growth rates and discount rates.

A16.8. In the view of these respondents, users of eligible subsidiaries' financial statements cannot form a good understanding of impairment charges without this additional information.

Staff analysis

A16.9. Discount rates are required to be disclosed in other parts of the draft Standard, for instance as part of the actuarial assumptions in IAS 19 *Employee Benefits* disclosures,

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[15] See Agenda Paper 31A *Disclosure about cash-generating units containing goodwill and intangible assets with indefinite useful lives* and IASB *Update* of the January 2021 IASB meeting.

and capitalisation rates in IAS 23 *Borrowing Costs*. Adding a requirement to disclose discount rates would be consistent with other areas of the draft Standard; growth rates are a companion disclosure to the discount rate. The disclosure would provide information about measurement uncertainty (see paragraph 8 of this paper).

A16.10. This information should be readily available to preparers as the rates have been used in their calculations so there should be no or minimal additional cost burden in including these disclosures in the financial statements.

Staff recommendation

A16.11. The staff recommends the IASB revise paragraph 193(d) and paragraph 193(e) of the draft Standard to add paragraph 134(d)(iv) and (v) and paragraph 134(e)(iv) and (v), respectively, of IAS 36 to the new Standard.

Other comments—suggested additional disclosures

Summary of feedback

A16.12. Some respondents suggested additional disclosure requirements based on paragraph 130(d) of IAS 36 relating to impairment losses recognised for a cash-generating unit.

Staff analysis

A16.13. The disclosure requirements in paragraph 130(d) of IAS 36 were excluded in the draft Standard consistent with the *IFRS for SMEs* Accounting Standard.

A16.14. Identifying cash-generating units is a fundamental part of the process for measuring impairment losses applying IAS 36 and the *IFRS for SMEs* Accounting Standard, however, if the IASB were to respond to feedback and add disclosure requirements this would be an exception to its agreed approach.

A16.15. The exception could be based on the principle that users of eligible subsidiaries' financial statements are particularly interested in cash flows, and disaggregation into cash-generating units is part of developing an understanding of cash flows and liquidity.

A16.16. IAS 36 requires:

(a) a description of each cash-generating unit, which is necessary to provide meaningful context for the remainder of the disclosures (paragraph 130(d)(i)); and

(b) information to be disclosed where there are changes in the composition of cash-generating units: this will be useful information to users if there are such changes, and does not require additional work if there are no such changes (paragraph 130(d)(iii)).

A16.17. Subsidiaries are likely to provide this information to their parent so there should not be additional cost in preparing the disclosures.

Staff recommendation

A16.18. The staff recommends the IASB add paragraph 130(d)(i) and (iii) of IAS 36 to the new Standard.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Table A17: IAS 37—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
196(a)–(d)	1	The proposed disclosure requirement is based on paragraph 21.14 of the *IFRS for SMEs* Accounting Standard and paragraphs 84–85 of IAS 37. Four comments received on paragraph 196(c). See paragraphs A17.1–A17.4.

Paragraph 196(c) of the draft Standard

Development of the proposed disclosure requirements

A17.1. Paragraph 196(c) of the draft Standard proposes an eligible subsidiary disclose, for each class of provision, an indication of the uncertainties about the amount or timing of outflows.

Summary of feedback

A17.2. Four respondents suggested expanding 196(c) of the draft Standard to include the last sentence of paragraph 85(b) of IAS 37 which requires the entity to disclose major assumptions made concerning future events. Respondents said that the disclosure provides information on measurement uncertainty that would meet users' information needs.

Staff analysis

A17.3. The disclosure of information about assumptions is proposed in paragraph 125 of the draft Standard.

Staff recommendation

A17.4. The staff recommends the IASB retain paragraph 196(c) of the draft Standard and consider the additional text in updating the language.

IAS 38 *Intangible Assets*

Table A18: IAS 38—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
201(a)–(e)	1	The proposed disclosure requirement is based on paragraph 18.27 of the *IFRS for SME* Accounting Standard and paragraph 18 of IAS 38. One comment received on paragraph 201(e). See paragraph A18.1–A18.6.
202(c)(iii)	2	The proposed disclosure requirement is based on paragraph 122(c)(iii) of IAS 38. Two comments received. See paragraphs A18.7–A18.11

Paragraph 201(e) of the draft Standard

Development of the proposed disclosure requirements

A18.1. Paragraph 201(e) of the draft Standard proposes disclosure of a reconciliation of the carrying amount at the beginning and end of the reporting period for each class of intangible assets. The reconciliation need not be presented for prior periods.

Summary of feedback

A18.2. One respondent suggested:

(a) requiring comparative information for the reconciliation required in paragraph 201(e) of the draft Standard. In this respondent's view, this will allow comparability of the information to analyse trends and strategies of the business in relation to its intangible assets.

(b) clarifying that paragraph 201(e)(vii) of the draft Standard proposes impairment losses recognised and impairment losses reversed to be disclosed as a net amount.

Staff analysis

A18.3. As discussed in paragraphs 24–28 of this paper, relief from providing comparative information is retained for the new Standard.

A18.4. Paragraph 201(e)(vii) of the draft Standard proposes impairment losses are separately disclosed in the reconciliation of the carrying amount of each class of intangible assets. Paragraph 18.27(e)(v) of *IFRS for SMEs* Accounting Standard specifies less line-items to be included in the reconciliation than paragraph 118 of IAS 38. For example, paragraph 118(e) of IAS 38 includes impairment losses recognised in profit and loss and impairment loss reversed in profit and loss.

A18.5. The staff do not think that because a potential line-item is not specified as a disclosure required in the reconciliation this suggests that impairment losses and reversal of impairment losses should be disclosed net. The staff think that in considering net impairment losses and reversal of impairment loss an entity would consider the fair presentation requirements in IAS 1.

Staff recommendation

A18.6. The staff recommends the IASB take no action on paragraph 201(e)(vii) of the draft Standard.

Paragraph 202(c)(iii) of the draft Standard

Development of the proposed disclosure requirements

A18.7. Paragraph 202(c)(iii) of the draft Standard proposes disclosure of whether intangible assets that are acquired by way of a government grant and initially recognised at fair value, are measured under the cost model or the revaluation model after recognition.

A18.8. This disclosure requirement is a result of a recognition and measurement difference because the revaluation model for intangible assets is not permitted by the *IFRS for SMEs* Accounting Standard.

Summary of feedback

A18.9. Two respondents suggested deleting paragraph 202(c)(iii) of the draft Standard. The respondents said that further reducing the disclosure requirements will better reflect financial statements users' information needs.

Staff analysis

A18.10. The disclosure proposed by paragraph 202(c)(iii) of the draft Standard provides information on accounting policy and therefore is supported by paragraph 8(d) of the paper (the principles for reducing disclosure requirements).

Staff recommendation

A18.11. The staff recommends the IASB retain paragraph 202(c)(iii) of the draft Standard.

IAS 40 *Investment Property*

Table A19.1: IAS 40—categorisation of the proposed disclosure requirements

Paragraph of draft Standard	Group	Remarks
207(a)–(b)	1	The disclosure requirement is based on paragraph 16.10(b) and (e) of the *IFRS for SMEs* Accounting Standard and paragraphs 75(e) and 76 of IAS 40. One comment received on paragraph 207(b). See paragraphs A19.1–A19.2.
209(a)–(d)	1	The disclosure requirement is based on paragraph 17.31 of the *IFRS for SMEs* Accounting Standard and paragraph 79 of IAS 40. One comment received on paragraph 209(d). See paragraph A19.1–A19.2.

Paragraphs 207(b) and 209(d) of the draft Standard

Summary of feedback

A19.1. One respondent suggested requiring comparative information for the reconciliation required paragraphs 207(b) and 209(b) of the draft Standard. In this respondent's view this will allow comparability of the information to analyse trends and strategies of the business in relation to its investment property.

Staff analysis

A19.2. As discussed in paragraphs 24–28 of this paper, relief from providing comparative information is retained for the new Standard.

IAS 40—suggested additional disclosures

Table A19.2: IAS 40—suggested additional disclosures

Disclosure paragraph	Disclosure	Respondents' suggestions
75(f)(i)	Rental income from investment property	One respondent questioned the omission of this disclosure given the importance of rental yield as a performance metric in assessing investment property. See paragraphs A19.3–A19.10.
77	Disclose a reconciliation between a valuation obtained and the adjusted valuation when the adjusted valuation is included in the financial statements	One respondent said this disclosure requirement complements paragraph 207(a) of the draft Standard (which proposes disclosure when fair value of investment property is determined by an independent valuer). See paragraphs A19.3–A19.10.
79(e)	An entity that applies the cost model discloses the fair value of investment property.	One respondent suggested adding paragraph 79(e) and said that although *IFRS for SMEs* Accounting Standard does not require such disclosures, the circumstances for applying the cost model in that Standard are different from those in IAS 40. See paragraphs A19.3–A19.10.

Development of the proposed disclosure requirements

A19.3. The disclosure requirements in Table A19.2 were not proposed in the draft Standard as the disclosures are not required by the *IFRS for SMEs* Accounting Standard and was not considered related to recognition and measurement differences between IAS 40 and the *IFRS for SMEs* Accounting Standard.

Staff analysis

Paragraph 75(f)(i) of IAS 40

A19.4. Adding the disclosure requirement in paragraph 75(f)(i) of IAS 40 would be an exception to the IASB's agreed approach. The IASB made exceptions to the approach in developing the draft Standard, but these exceptions were mainly related to improved disclosure requirements in IFRS Accounting Standard that the *IFRS for SMEs*

Accounting Standard had not been updated for. The suggested additional disclosure is not an improved disclosure requirement.

A19.5. While the staff agree that rental income from investment property is an important metric, the disclosure requirement does not satisfy the principles for reducing disclosure requirements, see paragraph 8 of this paper.

Paragraph 77 of IAS 40

A19.6. Eligible subsidiaries that apply the fair value model for investment property would apply paragraphs 79 to 83 of the draft Standard for IFRS 13. Paragraph 79(c) of the draft Standard proposed disclosure of a description of valuation techniques used for measuring fair value, and the inputs used in the measurement. The staff think that eligible subsidiaries would disclose whether the basis of fair value of its investment property is based on a valuation and whether such valuation has been adjusted applying paragraph 50 of IAS 40. Therefore, staff do not think it is necessary to add paragraph 77 of IAS 40 to the new Standard.

Paragraph 79(e) of IAS 40

A19.7. It could be argued that paragraph 79(e) of IAS 40 is related to a recognition and measurement difference between IAS 40 and the *IFRS for SMEs* Accounting Standard. Applying IAS 40, an entity has accounting policy choice of the fair value model or the cost model; the *IFRS for SMEs* Accounting Standard, requires investment property to be measured at fair value unless it cannot be reliably measured without undue cost or effort. The requirement in paragraph 79(e) to disclose fair value of investment property measured under the cost model could relate to the accounting policy choice in IAS 40.

A19.8. The disclosure required by paragraph 79(e) of IAS 40 would provide useful information to users of eligible subsidiaries' financial statements because a key reason for holding investment property is often capital appreciation (see paragraph B45 of the Basis for Conclusions on IAS 40 (2000) *Investment Property*).

A19.9. The staff think that paragraph 79(e) of IAS 40 would provide information about the entity's solvency (see paragraph 8 of this paper). However, providing fair value information might be costly for an eligible subsidiary. In such instance, paragraph 79(e) of IAS 40 provides relief from disclosing fair value subject to certain disclosure requirements (subparagraphs 79(e)(i)–(iii) of IAS 40).

Staff recommendations

A19.10. The staff recommends the IASB:

(a) not add paragraphs 75(f)(i) and 77 of IAS 40 to the new Standard; and

(b) add paragraph 79(e) of IAS 40 to the new Standard.

IAS 41 *Agriculture*

Table A20: IAS 41—suggested additional disclosures

Disclosure paragraph	Disclosure	Respondents' suggestions
40	Aggregate gain or loss on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets	The respondent said that the disclosure is relevant to users of eligible subsidiaries' financial statements. See paragraphs A20.1–A20.10.
49(a)–(b)	Biological assets with restricted title and those pledged as security for liabilities, and commitments for the development or acquisition of biological assets	Two respondents said that these disclosure requirements meet the principles for reducing disclosure requirements (see paragraph 8 of this paper) and are similar to those for disclosure proposed for IAS 16 and IAS 38. See paragraphs A20.1–A20.10.
55	Reconciliation of changes in the carrying amounts for biological assets measured at cost less accumulated depreciation and impairment losses	One respondent said that the usefulness of such reconciliation does not depend on the measurement basis used for the assets. The draft Standard only requires the reconciliation for biological assets measured at fair value less costs to sell. See paragraphs A20.1–A20.10.
56(c)	The effect of a change in measurement basis from 'cost less accumulated depreciation and impairment losses' to 'fair value less costs to sell'	The respondent said that the disclosure is relevant to users of eligible subsidiaries' financial statements. See paragraphs A20.1–A20.10.

Development of the proposed disclosure requirements

A20.1. The disclosure requirements for IAS 41 were reduced for the *IFRS for SMEs* Accounting Standard, and were also split between Section 34 *Specialised Activities* and Section 24 *Government Grants*. Most of the requirements in the draft Standard were based on those in the *IFRS for SMEs* Accounting Standard, but are presented together since they all are derived from IAS 41.

A20.2. The disclosure requirements listed in Table A20 were not proposed in the draft Standard because they do not relate to a recognition and measurement difference and therefore applying the IASB approach to developing disclosure requirements there was no reason to make an exception to that approach.

Staff analysis

Paragraph 40 of IAS 41

A20.3. There are no recognition and measurement differences relating to paragraph 40 of IAS 41, so the justification for adding disclosures would be if there was a clear difference in user information needs, so that the disclosure could be treated as an exception. The staff could not identify a reason to make an exception to the IASB's approach to developing disclosure requirements.

Paragraph 49 of IAS 41

A20.4. As noted by respondents, there is an inconsistency with disclosures for other standards in that the disclosure of assets with restricted title and those pledged as security for liabilities, and related commitments are proposed in the sections relating to IAS 16, IAS 38 and IAS 40 but paragraph 49 of IAS 41 was not proposed in the draft Standard. These respondents suggest adding paragraph 49 of IAS 41. However, adding this disclosure would be an exception to the IASB's approach (because those disclosures are not in the *IFRS for SMEs* Accounting Standard and there is no recognition and measurement difference). It is not considered that this additional information would be sufficiently useful to users to merit an exception.

Paragraph 55 of IAS 41

A20.5. Respondents' comments on paragraph 55 of IAS 41 suggested that there is insufficient support that the draft Standard proposes disclosure of a reconciliation of movements for assets at fair value less costs to sell without proposing the comparable reconciliation when the cost model is used.

A20.6. As there are no recognition and measurement differences the disclosures in the draft Standard were based on those in the *IFRS for SMEs* Accounting Standard. Respondents have not put forward arguments suggesting that the users of eligible subsidiaries' financial statements have additional information needs relating to biological assets measured under the cost model.

A20.7. Paragraph 211 of the draft Standard proposed disclosures for biological assets measured under the cost model, including the gross carrying amount and accumulated depreciation at the beginning and the end of the period, the useful lives or depreciation rate used. Consequently, there does not appear to be grounds for introducing an exception to the IASB's agreed approach.

Paragraph 56(c) of IAS 41

A20.8. Paragraph 56 of IAS 41 requires disclosures when a biological asset's fair value becomes reliably measurable in the current period; it is not included in the *IFRS for SMEs* Accounting Standard, and therefore it was also not proposed in the draft Standard.

A20.9. Respondents had no comments on subparagraphs (a) and (b) of paragraph 56 of IAS 41 but one respondent suggested that the requirement in paragraph 56(c), to disclose the effect of the change when moving from cost to fair value, would provide useful information to users. In the staff's view, this would be of limited relevance to most users because respondents did not suggest that situations where subsidiaries move from not being able to reliably measure biological assets at fair value are likely to be common.

Staff recommendation

A20.10. The staff recommends the IASB make no revisions to the disclosure requirements proposed in the draft Standard relating to IAS 41.

IFRIC 17 *Distributions of Non-cash Assets to Owners*

Development of the proposed disclosure requirements

A21.1. The draft Standard does not propose disclosure requirements for IFRIC 17 *Distributions of Non-cash Assets to Owners*. Paragraphs 22.17—22.18B of the *IFRS for SMEs* Accounting Standard sets out requirements for distributions to owners.

A21.2. There are no recognition and measurement difference between IFRIC 17 and the *IFRS for SMEs* Accounting Standard. There are no disclosure requirements in the *IFRS for SMEs* Accounting Standard for distribution to owners. Therefore, applying the IASB's approach, the disclosures from IFRIC 17 were not proposed in the draft Standard.

Summary of feedback

A21.3. One respondent said the disclosure requirements in IFRIC Interpretations could be relevant to users of eligible subsidiaries' financial statements. For example, the respondent suggested adding paragraph 17 of IFRIC 17. Paragraph 17 of IFRIC 17 states:

> If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose:
>
> (a) the nature of the asset to be distributed;
>
> (b) the carrying amount of the asset to be distributed as of the end of the reporting period; and
>
> (c) the fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method(s) used to measure that fair

value required by paragraphs 93(b), (d), (g) and (i) and 99 of IFRS 13.

Staff analysis

A21.4. Adding the disclosure requirements in paragraph 17 of IFRIC 17 would be an exception to the IASB's agreed approach. Furthermore, the staff think the disclosure in paragraph 17 of IFRIC 17 would be disclosed applying paragraphs 143–144 of the draft Standard, as an non-adjusting event after the reporting period.

Staff recommendation

A21.5. The staff recommends the IASB not add disclosure requirements for IFRIC 17 to the new Standard.

IFRIC 23 *Uncertainty over Income Tax Treatments*

Development of the proposed disclosure requirements

A22.1. IFRIC 23 *Uncertainty over Income Tax Treatments* highlights disclosure requirements in IFRS Accounting Standards an entity has to provide that the Interpretation refers to, it does not add new disclosure requirements. These disclosures highlighted include when applying:

(a) paragraph 122 of IAS 1— judgements made in determining taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates;

(b) paragraph 125–129 IAS 1— information about the assumptions and estimates made in determining taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(c) paragraph 88 of IAS 12—tax related contingent liabilities and contingent assets in accordance with IAS 37.

Summary of feedback

A22.2. Two respondents suggested adding paragraphs A4–A5 of IFRIC 23 because those disclosures may be useful to users of eligible subsidiaries financial statements.

Staff analysis

A22.3. Paragraph BC22 of IFRIC 23 notes that IAS 1 and IAS 12 already provide disclosure requirements relevant when there is uncertainty over income tax treatments, and instead of introducing new disclosure requirements the Interpretations Committee decided to highlight those existing requirements.

A22.4. The disclosure requirements in IFRIC 23 that are referenced to IAS 1 are proposed in the draft Standard (see paragraphs 124–125 of the draft Standard). However, the disclosure requirement in IFRIC 23 referenced to IAS 12 is *not* proposed in the draft Standard.

A22.5. Therefore, to include paragraphs A4–A5 of IFRIC 23 the IASB would need to add paragraph 88 of IAS 12 to the new Standard. There was no feedback on the draft Standard that requested adding this paragraph.

A22.6. Furthermore, paragraphs A4–A5 of IFRIC 23 are (arguably) guidance on how to apply disclosure requirements. As discussed in paragraphs 20–23 of this paper, guidance on how to apply the disclosure requirements that is available in IFRS Accounting Standards is not included in the new Standard.

Staff recommendation

A22.7. The staff recommends the IASB not add paragraphs A4–A5 of IFRIC 23 to the new Standard.

SIC-29 Service Concession Arrangements: Disclosures

Development of the proposed disclosure requirements

A23.1. The IASB did not proposed disclosure requirements for SIC-29 *Service Concession Arrangements: Disclosures* in the draft Standard applying its agreed approach. There are no recognition and measurement differences between IFRS Accounting Standards and the *IFRS for SMEs* Accounting Standard on this topic, except for borrowing costs which does not relate to the disclosure requirements of SIC 29.

Summary of feedback

A23.2. One respondent said that some of the disclosure requirements in paragraphs 6–6A of SIC-29 would be useful to users of eligible subsidiaries' financial statements. For example, disclosures about significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows, and the nature and extent of obligations to provide services and deliver specified assets at the end of the concession period.

Staff analysis

A23.3. The IASB followed its approach in developing the disclosure requirements for SIC 29; if the IASB were to add disclosures these would need to be an exception to the approach. Given the *IFRS for SMEs* Accounting Standard has not included disclosure requirements for service concession arrangements since it was issued in 2009 and no feedback had been received regarding disclosures on service concession arrangements the staff did not identify a reason for the IASB to make an exception to its approach.

A23.4. The staff note that the main business of a subsidiary that has a service concession arrangement would likely be those of a single service concession arrangement. As such, requiring the disclosures in SIC-29 would likely result in the same (if not more) information that is otherwise required by SIC-29.

Staff recommendation

A23.5. The staff recommends the IASB not add disclosure requirements for SIC-29 to the new Standard.